

**HEALTH SERVICES AND DEVELOPMENT AGENCY MEETING
JUNE 25, 2014
APPLICATION SUMMARY**

NAME OF PROJECT: Wharton Nursing Home

PROJECT NUMBER: CN1403-006

ADDRESS: 878 West Main Street
Pleasant Hill (Cumberland County), Tennessee 38578

LEGAL OWNER: Uplands Village
PO Box 168, 86A Church Drive
Pleasant Hill, TN (Cumberland County), TN 38578

OPERATING ENTITY: Not applicable

CONTACT PERSON: Al Griffin
(931) 277-3518

DATE FILED: March 12, 2014

PROJECT COST: \$5,100,000.00

FINANCING: Government Loan

REASON FOR FILING: Nursing Home renovation in excess of \$2 million. *The project is not subject to the 125 bed Nursing Home Bed Pool for the July 2013 to June 2014 state fiscal year period.*

DESCRIPTION:

Wharton Nursing Home, a 62-bed nursing facility (NF) located on the campus of a non-profit continuing care retirement community, seeks approval to relocate 31 of the 62 dually certified beds from their existing location at 878-880 West Main Street to an adjacent 2-story building located at 55 West Lake Road that is presently being used as administrative offices on the first floor. The West Lake building was the site of Wharton Nursing Home prior to being vacated in July 2010 and its residents transferred to the new 62-bed replacement nursing home approved in CN0610-083A. This project focuses on the renovation of the adjacent West Lake building to accommodate 31 all private rooms, therapy, dining and related support staff at a cost that is over the \$2 million certificate of need threshold for nursing homes and other non-hospital care facilities. The project is not subject to the 125-bed Nursing Home Bed Pool for the 2013-2014 state fiscal year period.

Wharton Nursing Home
CN1403-006
June 25, 2014
PAGE 1

Note: in preparation for this certificate of need application, the applicant received approval from the Tennessee Board for Licensing Health Care Facilities, Division of Health Licensure and Regulation, Tennessee Department of Health, on February 12, 2014 to operate all 62 licensed beds in the 2 adjacent buildings under the same license (a copy of the approval letter is in Attachment B.1 of the application).

SERVICE SPECIFIC CRITERIA AND STANDARD REVIEW:

**CONSTRUCTION, RENOVATION, EXPANSION, AND REPLACEMENT
OF
HEALTH CARE INSTITUTIONS**

1. Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.

Not applicable, the project does not involve the addition of new nursing home beds to the applicant's licensed 62 bed nursing facility.

2. For relocation or replacement of an existing licensed health care institution:
 - a. The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.

The applicant seeks to renovate the 55 West Lake Building adjacent to the Wharton Nursing Home and operate 31 of the nursing home's dually certified 62 beds in that building under the same license. Constructed in the late 1950s, the West Lake building is the site of the former nursing home vacated in July 2010 following opening of the new replacement nursing home approved in CN0610-083A. The applicant believes renovation of the building would be suitable for both skilled and non-skilled care patients based on its more traditional design and former use as a nursing home. The applicant also plans to use the vacated space in the nursing home as an assisted care living unit dedicated to the provision of memory assisted living services, a new addition to the continuum of care services offered on the campus of the continuing care retirement community.

The applicant appears to meet this criterion.

- b. The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project

Wharton Nursing Home

CN1403-006

June 25, 2014

PAGE 2

The applicant received Medicare/Medicaid certification in May 2013. A demand analysis with recommendations pertaining to enhancing skilled patient care services was developed and presented by a private consulting firm in July 2013. The findings point to a future demand for at least 14 additional "short stay" skilled nursing home beds and the need for approximately 32 – 61 assisted living care beds for "memory care" program services in Cumberland County. The applicant believes that further documentation of demand for skilled care beds is provided by area nursing homes through data reported to the Tennessee Department of Health (TDH), including utilization of services provided in the Joint Annual Report of Nursing Homes.

The applicant appears to meet this criterion.

3. For renovation or expansions of an existing licensed health care institution:

- a. The applicant should demonstrate that there is an acceptable existing demand for the proposed project.
- b. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.

The applicant documents same through the summary and recommendations made in the physical plant status report provided by the Uplands Design Group (this report was attached to the 3/28/14 supplemental response). The report includes recommendations regarding the conditions of the proposed 55 West Lake building.

The applicant appears to meet this criterion.

STAFF SUMMARY

Note to Agency members: This staff summary is a synopsis of the original application and supplemental responses submitted by the applicant. Any HSDA Staff comments will be presented as a "Note to Agency members" in bold italics.

The project involves the renovation of a vacant 2-story building at 55 West Lake Road adjacent to the existing dually certified 62-bed Wharton Nursing Home on 878-880 West Main Street. Located on the 3 of the 7 acre campus of Uplands Village in Mount Pleasant, TN, the two buildings are within approximately 300 feet from each other. The existing nursing home was constructed and opened in 2010 following approval in CN0610-083A to replace the former nursing home site on 55 West Lake Road.

The existing 878-880 West Main Street nursing facility (NF) contains two 31-bed residential buildings with a total room mix of 26 private and 18 semi-private rooms (*please see revised plot plan in the 3/21/14 supplemental response*). The buildings are

Wharton Nursing Home

CN1403-006

June 25, 2014

PAGE 3

connected via an enclosed patio and garden area. Each building contains space for a dedicated kitchen and a common dining and relaxation area with a hearth/fireplace. As described in CN0610-083A, the nursing home incorporates portions of the Eden Alternative concept with an emphasis on a social model of care. The concept encourages increased participation in activities of daily living and interaction with peers and health care staff.

The applicant states that the 55 West Lake Road building (West Lake building) is currently vacant except for use as administrative offices on the first floor and has adequate space that can be renovated to accommodate 31 of the nursing home's 62 licensed beds in all private patient rooms located on the 2nd floor. The applicant anticipates that the 31 beds in the renovated West Lake building may be used, in part, for short stay skilled nursing patients based on recommendations provided in a July 2013 "demand analysis" prepared by Clifton, Larson, Allen, Inc., a private consulting firm hired by the applicant to assess the need for continuing care services in its service area (*the consultant's recommendations and clarification of same are provided on page A.20 of the application and pages 4 and 8 of the 3/21/14 supplemental response. The applicant confirmed that the consultant considered the impact of the Linton Ruling in its demand analysis*). Additional space will be renovated to house physical therapy, wellness gyms, service support and dining services for both nursing home and independent living unit residents of Uplands Village.

The space vacated in the existing 880 West Main Street nursing home building will be used as a memory care assisted living unit. The applicant plans to request that the Tennessee Department of Health license all 31 beds in the memory care unit as assisted living beds. The existing 878 West Main Street building will remain in use under Wharton Nursing Home's license and will house 31 of the nursing home's 62 dually certified beds, including 13 beds in private rooms.

The applicant maintains that the renovation of the West Lake Building to house 31 nursing home residents under the license of the Wharton Nursing Home is the most reasonable and practical alternative in terms of cost and efficient uses of existing physical plant resources on the nursing home campus. The benefits associated with the project can be found in Section B, Project Description, pages 9 – 11. Examples of key benefits of this proposal include the following: a \$2.5 million lower cost for renovation in lieu of new construction (*page 30*), a significant increase in the room sizes and number of private rooms (*3/21/14 supplemental response*), and the ability to utilize space in the 880 West Main Street Building as assisted living center units for a new memory care program at little or no significant cost to modify existing accommodations.

Ownership

The applicant's owner, Uplands Village, is a not-for-profit Tennessee corporation originally formed in April 1922. Review of the Restated Charter dated May 23, 1999

Wharton Nursing Home

CN1403-006

June 25, 2014

PAGE 4

revealed that the corporation is a public benefit corporation that is organized and operated exclusively for religious, hospital, scientific and charitable purposes. The charter also identifies Uplands Village as a public benefit and religious corporation exempt from federal income tax under Section 501 (c) (3) of the Internal Revenue Code.

Facility Information

In addition to the 62-bed nursing home, Uplands Village also operates a licensed assisted living facility (*active TDH license for 62 units*) and independent living units on its campus in Mt Pleasant. The nursing home became certified by the Center for Medicare and Medicaid Services (CMS) in May 2013 to provide dually certified skilled nursing care services. Please note the comparison of the bed mix in the table displayed below:

Type Patient Room	# Beds by room classification - former West Lake Nursing Home (prior to July 2010)	# Beds by room classification – 878-880 West Main (Replacement Nursing Home as approved in CN0610-083A)	# beds - 878 West Main and 55 West Lake Buildings (as proposed in CN1403-006)
Private	18 beds	22 beds	44 beds (31 at W. Lake and 13 at W. Main)
Semi-Private	44 beds	40 beds	18 beds (all at 878 W. Main building)
Wards	None	None	None
Total Licensed Beds	62 beds	62 beds	62 beds
Skilled Beds	None	None	62 beds (<i>dually certified</i>)
Total Rooms	40 rooms	44 rooms	53 rooms
Total Facility Square Feet	44,200 SF	30,000 SF	48,771*

**Note: Of the 48,771 SF dedicated to the patient units in the 2 adjacent buildings, 20,436SF is existing space in the 880 W. Main Building and 28,335SF is to be renovated space in the 55 W. Lake Building. Sources: revised Square Footage Chart, page S.6, 3/21/14 supplemental response.*

As noted previously in CN0610-083A, the West Lake Building was constructed in 1957 and had one major upgrade for update/replacement of the fire alarm system in 1991. Problems with the physical plant that contributed to the owner's decision to replace the nursing home included ongoing maintenance, moisture in the administrative office area and the need for major repair to the heating, ventilation and cooling (HVAC) system. The cost of repairs was estimated at approximately \$80/SF or approximately \$3.6 million, slightly less than the amount needed to construct the proposed replacement facility.

Service Area Demographics

Wharton Nursing Home's declared service area is Cumberland and White Counties.

- The total population of the service area is estimated at 84,686 residents in calendar year (CY) 2014 decreasing by approximately 0.5% to 86,300 residents in CY 2016.
- The overall statewide population is projected to grow by 1.84% from 2014 to 2016.
- The 65 and older population will increase from 20,889 residents in CY2014 to 21,044 residents or 24.4% of the general population in CY2016. The statewide 65 and older population is expected to reach approximately 15.5% of the general population CY2016.
- The proportion of TennCare enrollees of the total 2-county service area population in CY2014 is 19.3%, compared with the state-wide average of 18.1%.

Sources: Tennessee Department of Health, Division of Policy, Planning and Assessment, Office of Health Statistics, U.S. Census Bureau, Bureau of TennCare.

Historical Utilization

There are currently 6 nursing homes located in the applicant's service area with a total of 591 licensed beds. Using population and nursing home licensed bed data from the Tennessee Department of Health, the ratio of licensed beds to the age 65 and older population is displayed below:

65+ Nursing Home Beds/1,000 Population in Service Area

2014 Population	2014 age 65+ population	2014 Licensed beds	Medicare SNF and dually certified beds (2012 JAR)	2014 nursing home beds per 1,000 age 65+ population	Medicare SNF and dually cert beds per 1,000 age 65+ population
84,686	20,899	591	591	28 per 1,000	28 per 1,000

Sources: Licensed Health Facilities Report, TDH; CY2012 Joint Annual report, TDH

The licensed bed occupancy of the 6 nursing homes was approximately 83% in calendar year 2012. Key highlights are noted in the bullets and table shown below:

- Total skilled average daily census (ADC) was 207 patients per day or 35% of all licensed beds
- Medicare ADC was 98 patients/day or 20% of all 591 licensed beds
- TennCare Level 2 ADC was 70 patients/day or 12% of total licensed beds, including 55 patients/day at Life Care Crossville and 15 patients/day at NHC Sparta and slightly less than 1 patient/day at Life Care of Sparta and Wyandot Health & Rehab.

Wharton Nursing Home

CN1403-006

June 25, 2014

PAGE 6

- Total non-skilled ADC was approximately 281 patients per day
- **Inventory & Utilization of Area Nursing Homes, 2012**

Licensed Beds	Medicare certified beds	Dually Certified beds	SNF Mcare ADC	Mcaid Level2 ADC	Skilled ADC Other Payors	Non-skilled ADC	Total ADC	Lic. Occup.
591	64	527	99	70	38	281	488	83%

The most recent 3-year utilization trend of the six nursing homes in the 2-county service area is displayed in the table below:

Utilization of Nursing Homes Located in the Applicant's Service Area

Nursing Home	2014 Lic. Beds	2010 Patient Days	2011 Patient Days	2012 Patient Days	'10- '12 % Change	2010 % Occup.	2011 % Occup.	2012 % Occup.
Good Sam-Farfield Glade	30	Not open	434 *	8,930	NA	0	4%	81.3%
Life Care-Crossville	122	29,279	31,127	32,604	11.4%	65.8%	69.9%	73%
Wharton Nursing Home	62	22,138	22,241	21,264	-3.9%	97.8%	98.3%	93.7%
Wyndridge Health & Rehab	157	51,403	49,980	48,787	-5.1%	89.7%	87.2%	84.9%
Life Care-Sparta	100	33,321	31,313	31,593	-5.2%	91.3%	85.8%	86.3%
NHC Sparta	120	38,449	37,674	35,180	-8.5%	87.8%	86%	80.1%
Total	591	174,600	172,769	178,358	2.2%	80.9%	80.1%	82.5%

**Note: Good Samaritan-Fairfield Glade's original license was issued 9/22/2011. Source: Division of Health Statistics, TDH.*

The utilization table reflects the following:

- Although there was an average 2.2% increase in total patient days of the group as a whole (six nursing homes), the bed occupancy rates of 4 of the 6 nursing homes actually decreased by approximately 5.7% during the 3-year period.
- Only one nursing home attained an occupancy rate in excess of 90%.

Projected Utilization

The table below highlights the projected utilization in the first two years of the project. The applicant estimates that the licensed occupancy of the 62-bed nursing home will increase from 26.6 % in 2017 to 78.6% in 2018. As noted, the applicant anticipates that the 31 beds in the renovated West Lake building may be used, in part, as short stay skilled beds coupled with increased admissions and average length of stays (ALOS) estimated in the 20 day

per admission range. These factors would lead to significantly higher turnover of Wharton Nursing Home's 31 dually certified beds in the proposed renovated West Lake Building. *Note to Agency Members: Based on the significance of the Linton ruling to the proposal, please see Item 4 in the 3/21/14 supplemental response for the applicant's acknowledgement and discussion of the impact that the ruling may have on the use of the renovated West Lake building as a short stay unit. A summary of Linton is extracted from the supplemental response as follows:*

"Due to the Linton Court Order, a facility dually certified for Medicare/TennCare would be expected to provide services to TennCare patients requiring less than skilled nursing services. The Linton Court Order resulted in District Court instructing the State of Tennessee to submit a remedial plan that included a provision requiring Medicaid providers to certify all available licensed nursing home beds within their facilities and to admit residents on a first-come, first-serve basis regardless of their level of care."

The applicant estimates a patient mix of 22 Medicare skilled patients and 36 non-skilled patients for a total average daily census of approximately 58 patients per day in the first year of the project. Admissions to the nursing home are expected to increase by approximately 28% from 426 to 544 admissions between fiscal year 2016 to 2017 due to implementation of the short stay skilled care program. Please note the projections displayed in the table below:

Wharton Nursing Home's Projected Utilization

Year	Licensed Beds	Dually certified beds	SNF Mcare ADC	Level 2 Mcaid ADC	Skilled Other payors ADC	Non Skilled ADC	Total ADC	Occup.
2016	62	62	22	0	0	36	58	94%
2017	62	62	29	0	0	29	58	94%

Source: page S.12, 3/21/14 supplemental response

The applicant expects utilization to increase as a result of the following:

- Estimated need for approximately 860 licensed nursing home beds in service area (*source: applicant's calculations of bed need, page A.16*)
- Demand for at least 14 additional Medicare certified beds in the service area (*source: July 2013 consultant study, page A.20*)
- Uplands Village referral relationship with hospitals in service area
- Continuum of Care services as CCRC. If approved, project would add "memory care" assisted living service on the nursing home facility campus
- Longstanding, continuous operation of nursing home, independent living and assisted living facility services at higher occupancy levels than those of similar facilities located in the 2-county service area

Wharton Nursing Home

CN1403-006

June 25, 2014

PAGE 8

Project Cost

Major costs of the \$5,100,000 total estimated project cost are:

- Renovation- \$3,817,350 or 75% of total cost
- Preparation of Site- \$186,710 or 3.2% of total cost
- Moveable Equipment- \$749,186 or 14.7% of total cost

For other details on Project Cost, see the revised Project Cost Chart on page S.13 of the 3/21/14 supplemental response.

A letter dated December 18, 2013 from the architectural and engineering firm Upland Design Group provides estimates of the proposed building's renovation cost. The estimate was prepared using information from the firm's previous and recent local projects and input from local contractors and engineers. Additional documentation from the firm dated March 19, 2014 attests to the project's expected compliance with all applicable local, state and federal codes, including the 2010 AIA Guidelines for the Design and Construction of Healthcare Facilities. As noted in the revised Square Foot Chart of the 3/21/14 supplemental response, approximately 42,415 total square feet of the 55 West Lake Building will be renovated, resulting in a renovation cost of \$90 per square foot (SF). The proposed renovation cost is above the median of \$55 per square foot but below the 3rd quartile of \$101 per square foot of statewide nursing home construction projects from 2011 through 2013. Please see the table that follows:

Nursing Home Construction Cost Per Square Foot

Years: 2011 – 2013

	Renovated Construction	New Construction	Total Construction
1st Quartile	\$25.00/sq ft	\$152.80/sq ft	\$94.55/sq ft
Median	\$55.00/sq ft	\$167.31/sq ft	\$152.80/sq ft
3rd Quartile	\$101.00/sq ft	\$176.00/sq ft	\$167.61/sq ft

Source: CON approved applications for years 2011 through 2013

Historical Data Chart

The original Historical Data Chart submitted with the application was revised to include only nursing home revenues, expenses and operating margins. According to the applicant, the nursing home accounted for approximately 57% of Uplands Village net operating revenue reported in the audited financials for the 12-month period ending June 2013. Per the revised chart, Wharton Nursing Home reported the following net income after capital expenditures: \$573,068 in 2011, \$366,627 in 2012 and \$161,437 for 2013.

Estimates for Charity Care were identified on page 13 of the audited financial statements. Upland estimates that the cost of providing the supplies and services under the charity care policy averaged approximately \$25,000 per year for the years ended June 30, 2013 and 2012.

Projected Data Chart

The applicant projects \$6,097,672.00 in total gross revenue on 21,045 patient days during the first year of operation increasing by approximately 38% to \$8,394,087 on 21,050 patient days in Year Two (approximately \$398.77 per day). The Projected Data Chart reflects the following:

- Net operating income less capital expenditures of approximately \$333,500 per year is estimated at \$183,725 in Year One increasing to \$600,512 in Year Two.
- Excluding depreciation (average of \$302,000/year), projected NOI calculates to approximately 8% of gross revenues in Year 1 increasing to 11% in Year 2.
- Deductions from operating revenue for bad debt, charity care, and contractual adjustments are estimated at \$2,087,219 or approximately 25% of total gross revenue in Year Two.
- Charity care is not reflected in the chart for the reasons explained by the applicant on page 12 of the 3/21/14 supplemental response. These include the applicant's Medicare and TennCare mix of patients (approximately 56.8% of total revenue) and the accounting requirements for restricted assets related to Upland's Village charitable care policy (donated funds that are restricted funds for benevolent purposes).

Charges

Summarizing from the revised Projected Data Chart and page 29 of the application, the average patient daily charges are as follows:

- The proposed average gross per diem charge is \$289.75/day in Year 1; however the net charge after contractual adjustments amounts to \$234.51 per day. Net charges increase to \$299.62 per day in Year 2.
- In comparison to allowable Medicare charges, the applicant states that the majority of the nursing home's patients fall within the \$358.39/day to \$485.58 per day charge range by Resource Utilization Group (*source: page S.26 of the 3/21 supplemental response*).

Note to Agency Members: Section 4432(a) of the Balanced Budget Act of 1997 changed how payment is made for Medicare skilled nursing facility services from a cost based to a per-diem prospective payment system (PPS) covering all costs (routine, ancillary and capital) related to the services furnished to beneficiaries under Part A of the Medicare program. Under PPS, payments for each admission are

case-mix adjusted to classify residents into a Resource Utilization Group (RUG) category based on data from resident assessments and relative weights developed from staff time data. Source: "Skilled Nursing Facility PPS", CMS.gov.

Medicare/TennCare Payor Mix

- Medicare- net revenue after contractual adjustments will equal \$1,842,750 in Year One increasing to \$4,262,625 in Year 2 as a result of the applicant's proposed transition to "short stay" skilled nursing and rehabilitation services. Medicare accounts for 37% of total projected net revenue in Year 1 increasing to 68% in Year 2.
- TennCare/Medicaid – net revenue after contractual adjustments decreases from \$1,485,200 in Year 1 (30% of total net revenue) to \$948,000 in Year 2 (16% of total net revenue).

Note to Agency Members: for more detailed information about the projected shift in Medicare/TennCare operating revenues, please see Item 7, page 29 and Attachment A.20 of the application. Additional clarification was provided in Items 4 and 7 of the 3/21/14 supplemental response and Item 4 of the 3/28/14 supplemental response.

Financing

A 8/16/13 letter from Bobby Goode, State Director, Rural Development, United States Department of Agriculture, confirms the availability of a \$6,500,000.00 Rural Development Community Facility Loan for the nursing home renovation cost of the project. Although not a part of this project for CON purposes, the loan amount will also provide funding support for construction of a new 4,446 square foot aquatic rehabilitation center and upgrades to the CCRC's telecommunication system. The terms of the loan were clarified in the 3/21/14 supplemental response to reflect repayment by Uplands Village over a period not to exceed 40 years, inclusive of 2 years of interest-only payments followed by principle and interest payments amortized over 38 years at the lower of the intermediate or market rate. Approval and acceptance of the USDA Agricultural Loan by the Uplands Village Board of Directors was documented in the "Loan Resolution Security Agreement" provided with the 3/21/14 supplemental response.

Review of Uplands Village's audited financial statements prepared by the Johnson, Hickey & Murchison, P.C. firm of Chattanooga, TN for the period ending June 30, 2013 indicates \$1,662,390 in cash, total current assets of \$4,627,761, total current liabilities of \$1,247,942 and a current ratio of 3.7 to 1.

Note: current ratio is a measure of liquidity and is the ratio of current assets to current liabilities which measures the ability of an entity to cover its current liabilities with its existing current assets. A ratio of 1:1 would be required to have the minimum amount of assets needed to cover current liabilities.

Staffing

The applicant's proposed direct patient care staffing in totals to approximately 65 full time equivalents (FTE) or approximately 68% of the 104.9 FTE total facility staff budgeted for the 62-bed nursing home. As noted on page S.27 of the 3/21/14 supplemental response, direct patient care staff calculates to approximately 5.67 hours of care per resident per day. Clinical staff includes the following positions classifications:

- 5.0 Nursing Administration
- 4.2 FTE Staff RN
- 15.40 FTE Staff LPN
- 43.40 FTE Staff Caregiver (CNA)
- 2.0 FTE Team Leader (CNA)
- 1.0 Social Worker

Note to Agency Members: 1 FTE means an employee who works 2,080 regular hours per year. Current licensure standards require nursing homes to have adequate numbers of licensed registered nurses, licensed practical nurses and certified nurse aides to provide nursing care to all residents as needed. Nursing homes shall provide a minimum of 2 hours of direct care to each resident every day including 0.4 hours of licensed nursing personnel time. There must be supervisory and staff personnel for each department or nursing unit to ensure, when needed, the availability of a licensed nurse for bedside care of any resident. Source: Chapter 1200-08-06-.06, Rules of the Board for Licensing Health Care Facilities, Division of Health Care Facilities, Tennessee Department of Health (revised March 2014).

Licensure/Accreditation

The Wharton Nursing Home is licensed by the State of Tennessee and certified by Medicare and Medicaid.

Corporate and property documentation are on file at the Agency office and will be available at the Agency meeting.

Should the Agency vote to approve this project, the CON would expire in **two** years.

CERTIFICATE OF NEED INFORMATION FOR THE APPLICANT

There are no other Letters of Intent, denied or pending applications, or outstanding Certificates of Need for this applicant.

CERTIFICATE OF NEED INFORMATION FOR OTHER SERVICE AREA FACILITIES:

There are no Letters of Intent, denied applications, pending applications or outstanding Certificates of Need for other health care organizations in the service area proposing this type of service.

PLEASE REFER TO THE REPORT BY THE DEPARTMENT OF HEALTH, DIVISION OF HEALTH STATISTICS, FOR A DETAILED ANALYSIS OF THE STATUTORY CRITERIA OF NEED, ECONOMIC FEASIBILITY, AND CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE IN THE AREA FOR THIS PROJECT. THAT REPORT IS ATTACHED TO THIS SUMMARY IMMEDIATELY FOLLOWING THE COLOR DIVIDER PAGE.

PJG (6/10/14)

LETTER OF INTENT



**State of Tennessee
Health Services and Development Agency**

Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

www.tn.gov/hsda Phone: 615-741-2364 Fax: 615-741-9884

LETTER OF INTENT

The Publication of Intent is to be published in the Crossville Chronicle which is a newspaper
(Name of Newspaper)
of general circulation in Cumberland, Tennessee, on or before March 7, 2014,
(County) (Month / day) (Year)
for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that:

Wharton Nursing Home
(Name of Applicant)

Nursing Home
(Facility Type-Existing)

owned by: Uplands Village with an ownership type of 501(c)(3) non-profit corporation
and to be managed by: Uplands Village intends to file an application for a Certificate of Need
for [PROJECT DESCRIPTION BEGINS HERE]:

Uplands Village is a continuing care retirement community providing a continuum of care for residents in independent living, assisted living, intermediate care, and skilled nursing care. On the campus of Uplands Village is 62 bed Wharton Nursing Home at 878-880 W. Main Street, Pleasant Hill, TN. The proposed project is to relocate 31 nursing home beds to an adjacent building on the campus. The 62 licensed nursing home beds will be operated in the two buildings under Wharton Nursing Home's current license. The proposed project will also include renovations for physical/occupational therapy and wellness gyms, a kitchen and dining facility, and spaces for central supply, maintenance, and administrative offices. The estimated project cost is \$5,100,000.

The anticipated date of filing the application is: March 12, 2014

The contact person for this project is Al Griffin Director of Financial Services
(Contact Name) (Title)

who may be reached at: Uplands Village PO Box 168
(Company Name) (Address)

Pleasant Hill TN 38578 (931) / 277-3518
(City) (State) (Zip Code) (Area Code / Phone Number)

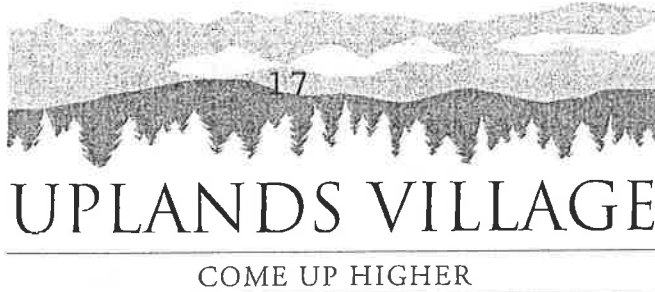
Al Griffin 03/07/2014 agriffin@uplandsvillage.com
(Signature) (Date) (E-mail Address)

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

**Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243**

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

ORIGINAL APPLICATION



MAR 12 14 AM 9:01

March 11, 2014

Ms. Melanie Hill, Executive Director
State of Tennessee
Health Services & Development Agency
Andrew Jackson Building, Ninth Floor
502 Deaderick Street
Nashville, TN 37243

RE: CON Application by Uplands Village for Wharton Nursing Home to renovate an adjacent building and operate its current complement of 62 beds in two buildings under a single license.

Dear Ms. Hill:

Enclosed please find our application for a Certificate of Need. The applicable filing fee for the above project of \$11,475 has been calculated based on the total project cost of \$5,100,000 and has already been received by the Health Services & Development Agency.

Please contact me at (931) 277-3518 or by email at agriffin@uplandsvillage.com if you need further information.

Sincerely,

Al Griffin
Director of Financial Services

MAR 12 14 AM 8:06

1. Name of Facility, Agency, or Institution

Wharton Nursing Home

Name

878 W. Main St.

Street or Route

Pleasant Hill

City

TN

State

Cumberland

County

38578

Zip Code

2. Contact Person Available for Responses to Questions

Al Griffin

Name

Director of Financial Services

Title

Uplands Village

Company Name

agriffin@uplandsvillage.com

Email address

PO Box 168, 86A Church Dr.

Street or Route

Pleasant Hill

City

TN

State

38578

Zip Code

Employee

Association with Owner

(931) 277-3518

Phone Number

(931) 277-5396

Fax Number

3. Owner of the Facility, Agency or Institution

Uplands Village

Name

(931) 277-3518

Phone Number

PO Box 168, 86A Church Dr.

Street or Route

Cumberland

County

Pleasant Hill

City

TN

State

38578

Zip Code

4. Type of Ownership of Control (Check One)

A. Sole Proprietorship

B. Partnership

C. Limited Partnership

D. Corporation (For Profit)

E. Corporation (Not-for-Profit)

F. Government (State of TN or Political Subdivision)

G. Joint Venture

H. Limited Liability Company

I. Other (Specify)

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

5. Name of Management/Operating Entity (If Applicable)

Not Applicable

Name

Street or Route

City

State

County

Zip Code

PUT ALL ATTACHMENTS AT THE END OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

6. Legal Interest in the Site of the Institution (Check One)

A. Ownership

B. Option to Purchase

C. Lease of Years

D. Option to Lease

E. Other (Specify)

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

7. Type of Institution (Check as appropriate--more than one response may apply)

A. Hospital (Specify)

B. Ambulatory Surgical Treatment
Center (ASTC), Multi-Specialty

C. ASTC, Single Specialty

D. Home Health Agency

E. Hospice

F. Mental Health Hospital

G. Mental Health Residential
Treatment Facility

H. Mental Retardation Institutional
Habilitation Facility (ICF/MR)

I. Nursing Home

J. Outpatient Diagnostic Center

K. Recuperation Center

L. Rehabilitation Facility

M. Residential Hospice

N. Non-Residential Methadone
Facility

O. Birthing Center

P. Other Outpatient Facility
(Specify)

Q. Other (Specify)

8. Purpose of Review (Check) as appropriate--more than one response may apply)

A. New Institution

B. Replacement/Existing Facility

C. Modification/Existing Facility

D. Initiation of Health Care
Service as defined in TCA §
68-11-1607(4)

(Specify)

E. Discontinuance of OB Services

F. Acquisition of Equipment

G. Change in Bed Complement
[Please note the type of change
by underlining the appropriate
response: Increase, Decrease,
Designation, Distribution,
Conversion, Relocation]

H. Change of Location

I. Other (Specify)

9. Bed Complement Data

Please indicate current and proposed distribution and certification of facility beds.

	Current Beds Licensed	*CON	Staffed Beds	Beds Proposed	TOTAL Beds at Completion
A. Medical					
B. Surgical					
C. Long-Term Care Hospital					
D. Obstetrical					
E. ICU/CCU					
F. Neonatal					
G. Pediatric					
H. Adult Psychiatric					
I. Geriatric Psychiatric					
J. Child/Adolescent Psychiatric					
K. Rehabilitation					
L. Nursing Facility (non-Medicaid Certified)					
M. Nursing Facility Level 1 (Medicaid only)					
N. Nursing Facility Level 2 (Medicare only)					
O. Nursing Facility Level 2 (dually certified Medicaid/Medicare)					
P. ICF/MR	62		62		62
Q. Adult Chemical Dependency					
R. Child and Adolescent Chemical Dependency					
S. Swing Beds					
T. Mental Health Residential Treatment					
U. Residential Hospice					
TOTAL	62		62		62

*CON-Beds approved but not yet in service

10. Medicare Provider Number 44-5510

Certification Type SNF

11. Medicaid Provider Number 7440128A

Certification Type ICF

12. If this is a new facility, will certification be sought for Medicare and/or Medicaid? N/A

13. Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCOs/BHOs) operating in the proposed service area. Will this project involve the treatment of TennCare participants? Yes If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted or plans to contract.

Discuss any out-of-network relationships in place with MCOs/BHOs in the area.

NOTE: **Section B** is intended to give the applicant an opportunity to describe the project and to discuss the need that the applicant sees for the project. **Section C** addresses how the project relates to the Certificate of Need criteria of Need, Economic Feasibility, and the Contribution to the Orderly Development of Health Care. Discussions on how the application relates to the criteria should not take place in this section unless otherwise specified.

SECTION B: PROJECT DESCRIPTION

Please answer all questions on 8 1/2" x 11" white paper, clearly typed and spaced, identified correctly and in the correct sequence. In answering, please type the question and the response. All exhibits and tables must be attached to the end of the application in correct sequence identifying the questions(s) to which they refer. If a particular question does not apply to your project, indicate "Not Applicable (NA)" after the question.

- I. Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of proposed services and equipment, ownership structure, service area, need, existing resources, project cost, funding, financial feasibility and staffing.

The proposed project will relocate 31 of the currently licensed 62, dually certified ICF/SNF beds from Wharton Nursing Home located at 878 - 880 W. Main St., Pleasant Hill, TN to an adjacent, currently vacant, facility located at 55 W. Lake Rd., Pleasant Hill, TN as approved by the Tennessee Board for Licensing Health Care Facilities. (Please see Attachment B.I) The 31 beds vacated from Wharton Nursing Home will be converted into a memory care assisted living unit. All facilities are owned by Uplands Village, a not-for-profit, 501(c)(3) continuing care retirement community.

The facility to be renovated is currently a vacant building, except for one wing used for administrative offices. The building was the former location of Wharton Nursing Home and was vacated approximately 3 1/2 years ago when a new facility was built adjacent to it and residents transferred to the new facility. The vacated facility is an approximately 42,415 square foot two-story facility.

Proposed Services and Equipment

No new ICF/SNF beds are being proposed with this project. This project will renovate a currently vacant building to relocate 31 beds that will primarily provide SNF services, however, the beds will continue to be dually certified for both ICF and SNF services. The renovated building will also provide physical therapy and wellness gyms, dining services for both the residents in the facility as well as our independent living residents, and administrative and support areas.

Assisted living licensure will be sought for the 31 beds that will be vacated in the current facility to convert the facility to a memory care assisted living unit.

There are no planned major medical equipment purchases proposed in this project. Equipment purchases will be primarily for fitness/wellness equipment, furniture, fixtures, and other non-medical equipment.

Ownership Structure

All facilities are owned by Uplands Village which is a 501(c)(3) not-for-profit continuing care retirement community (CCRC).

Service Area

The primary service area is Cumberland and White counties, however, patients/residents come from other counties, especially those adjacent to Cumberland and White counties.

Need

There is a current and continuing demand for skilled and intermediate nursing care within Cumberland and White counties. In addition to the current licensed beds within Cumberland and White counties, there is an unmet need not only for long-term care beds but also for short stay beds as well. In addition, there is an unmet need for additional memory care assisted living beds.

Existing Resources

Uplands Village currently owns the buildings as well as the properties that will provide the needed services.

Project Costs

The estimated cost of renovations and furnishings is approximately \$5,100,000.

Funding

The project will be funded with a direct loan through USDA Rural Development. The loan is for \$6,500,000; however, the proceeds of the loan in excess of the costs of the proposed project will be used to fund the implementation of IT/Communication infrastructure and systems and construction of an aquatic therapy facility, both of which are not a part of the project covered by this CON application.

Financial Feasibility

The nursing home is currently operating at an approximate occupancy rate of 94%. We anticipate that our occupancy will maintain an approximate rate of 93%. Of the 62 total ICF/SNF beds, it is projected initially that approximately 45% will be occupied by Medicaid ICF residents, 33% by private pay ICF residents, and 22% by Medicare SNF residents. After the 1st year of operation, Medicare SNF services are projected to increase to 50% of occupied beds with 29% occupied by Medicaid ICF residents and 21% occupied by private pay ICF residents. The 31 bed memory care assisted living unit is projected to be 93% occupied.

Based on this occupancy, the revenues generated will more than cover the additional expenses required for the proposed project and will provide for on-going financial stability of these services.

Staffing

The applicant currently has staff required by the proposal, including adequate professional staff as per the Department of Health. In addition, the applicant plans to add an MDS Coordinator, an Activities Assistant, 4.2 LPN FTE's, 9.8 Caregiver FTE's, 7 Dietary FTE's, 4.2 Housekeeping FTE's, 2.8 Laundry FTE's, and one FTE each for Transportation and Maintenance. The additional positions include staffing for the planned memory care assisted living unit as well.

II. Provide a detailed narrative of the project by addressing the following items as they relate to proposal.

A. Describe the construction, modification and/or renovation of the facility (exclusive of major medical equipment covered by T.C.A. § 68-11-1601 et seq.) including square footage, major operational areas, room configuration, etc. Applicants with hospital projects (construction cost in excess of \$5 million) and other facility projects (construction cost in excess of \$2 million) should complete the Square Footage and Cost per Square Footage Chart. Utilizing the attached Chart, applicants with hospital projects should complete Parts A.-E. by identifying as applicable nursing units, ancillary areas, and support areas affected by this project. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B.-E. Please also discuss and justify the cost per square foot for this project.

If the project involves none of the above, describe the development of the proposal.

The proposed project includes the renovation of an existing, 2-story, approximately 42,415 square foot facility. The facility was constructed in two primary phases with the first in the 1950's and one major addition in the late 1960's. The facility was utilized as the original skilled nursing home and is currently partially used for administrative offices and storage. The facility was vacated in 2010 when a new facility was constructed adjacent to the existing building and residents were relocated to the new facility.

The renovation of the existing building will take place on both levels. Currently only the lower level is occupied by administrative offices of the Nursing Facility. The upper floor is currently unoccupied. The upper floor will include the patient/resident rooms, nursing stations, therapy rooms, occupational therapy room, exercise room, laundry room to handle patient/resident rooms' linens, offices, patient/resident/staff conference room, living/activity room, dining hall and kitchen as well as miscellaneous support spaces. The lower floor will renovate the existing offices that currently use spaces as well as new mechanical, storage, and data rooms. Spaces not currently used on the lower level will be repurposed as required by the program and further design development. All patient/resident functions to be limited to upper level. New energy efficient windows will be part of the project; size and configuration will be determined by room layouts.

The upper level layout will include 31 individual private patient/resident rooms. Each room will have its own private toilet room with handicap accessible shower. All private toilet rooms will be handicap accessible with proper clearances, grab bars and fixtures. Each patient/resident room will have its own closet and operable window. Doors into patient/resident rooms will be at least 3'-8" to facilitate moving of beds and equipment. The plans include two open style nursing stations which will provide maximum views of the patient/resident rooms and enhance communication. These stations will also have secured medication and records areas in compliance with HIPAA regulations. The dining hall and kitchen will provide new equipment and serving lines for the residents. The dining hall will also double as a larger activity room when the other living/activity rooms are too small. A large patient/resident exercise room will occupy space across from the physical therapy spaces located between the patient/resident wings. The central location will allow easy access for all patient/resident rooms. The rest of the floor will be reworked to provide new offices and patient/resident/staff conference room, living/activity rooms, guest toilets, and associated storage spaces as determined by further refinements of the design.

The lower level layout will include offices, conference rooms, training rooms, mechanical data, and storage rooms.

- B. Identify the number and type of beds increased, decreased, converted, relocated, designated, and/or redistributed by this application. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the existing services.**

No new ICF/SNF beds are being proposed with this project. This project will renovate currently vacant facility to relocate 31 beds that will primarily provide SNF services, however the beds will continue to be dually certified for both ICF and SNF services. The renovated facility will also provide physical therapy and wellness gyms, dining services for both the residents in the facility as well as independent living residents, and administrative and support areas.

Assisted living licensure will be sought for the 31 beds that will be vacated in the current facility to convert the facility to a memory care assisted living unit.

4.

C. As the applicant, describe your need to provide the following health care services (if applicable to this application):

1. Adult Psychiatric Services
2. Alcohol and Drug Treatment for Adolescents (exceeding 28 days)
3. Birthing Center
4. Burn Units
5. Cardiac Catheterization Services
6. Child and Adolescent Psychiatric Services
7. Extracorporeal Lithotripsy
8. Home Health Services
9. Hospice Services
10. Residential Hospice
11. ICF/MR Services
12. Long-term Care Services
13. Magnetic Resonance Imaging (MRI)
14. Mental Health Residential Treatment
15. Neonatal Intensive Care Unit
16. Non-Residential Methadone Treatment Centers
17. Open Heart Surgery
18. Positron Emission Tomography
19. Radiation Therapy/Linear Accelerator
20. Rehabilitation Services
21. Swing Beds

There is a current and continuing demand for skilled and intermediate nursing care within Cumberland and White counties. In addition to the current licensed beds within Cumberland and White counties, there is an unmet need not only for long-term care beds but also for short stay (skilled) beds as well. In addition, there is an unmet need for additional memory care assisted living beds. As a Continuing Care Retirement Community (CCRC), this proposal allows us to enhance the continuum of care for our residents by continuing to provide ICF/SNF services as well as provide the additional services of a memory care assisted living unit.

D. Describe the need to change location or replace an existing facility.

In addition to the continued demand for skilled and intermediate nursing care within Cumberland White counties, there is an unmet need for additional memory care assisted living beds within the county. The relocation of 31 currently dually certified ICF/SNF beds will not only create a specialized short stay/rehab unit but will also provide space necessary to provide the needed 31 memory care assisted living beds in a home-like, secure venue.

E. Describe the acquisition of any item of major medical equipment (as defined by the Agency Rules and the Statute) which exceeds a cost of \$1.5 million; and/or is a magnetic resonance imaging (MRI) scanner, positron emission tomography (PET) scanner, extracorporeal lithotripter and/or linear accelerator by responding to the following:

1. For fixed-site major medical equipment (not replacing existing equipment):

a. Describe the new equipment, including:

1. Total cost ;(As defined by Agency Rule).
2. Expected useful life;
3. List of clinical applications to be provided; and
4. Documentation of FDA approval.

b. Provide current and proposed schedules of operations.

2. For mobile major medical equipment:

- a. List all sites that will be served;
- b. Provide current and/or proposed schedule of operations;
- c. Provide the lease or contract cost.
- d. Provide the fair market value of the equipment; and
- e. List the owner for the equipment.

3. Indicate applicant's legal interest in equipment (i.e., purchase, lease, etc.) In the case of equipment purchase include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.

Not applicable

III. (A) Attach a copy of the plot plan of the site on an 8 1/2" x 11" sheet of white paper which must include:

1. Size of site (in acres);
2. Location of structure on the site; and
3. Location of the proposed construction.
4. Names of streets, roads or highway that cross or border the site.

Please note that the drawings do not need to be drawn to scale. Plot plans are required for all projects.

Please see Attachment B. III. (A).

(B) 1. Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.

The site is accessible from Highway 70 via E. Main Street, W. Main Street, or Browntown Road and then W. Lake Road. Please see Attachment B III (B)

IV. Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. on an 8 1/2" x 11" sheet of white paper.

NOTE: DO NOT SUBMIT BLUEPRINTS. Simple line drawings should be submitted and need not be drawn to scale.

Please see Attachment B. IV.

V. For a Home Health Agency or Hospice, identify:

1. Existing service area by County;
2. Proposed service area by County;
3. A parent or primary service provider;
4. Existing branches; and
5. Proposed branches.

Not Applicable (N/A)

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED

In accordance with Tennessee Code Annotated § 68-11-1609(b), "no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, and will contribute to the orderly development of health care." The three (3) criteria are further defined in Agency Rule 0720-4-.01. Further standards for guidance are provided in the state health plan (Guidelines for Growth), developed pursuant to Tennessee Code Annotated §68-11-1625.

The following questions are listed according to the three (3) criteria: (I) Need, (II) Economic Feasibility and (III) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. Please type each question and its response on an 8 1/2" x 11" white paper. All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer. If a question does not apply to your project, indicate "Not Applicable (NA)."

QUESTIONS

NEED

1. Describe the relationship of this proposal toward the implementation of the State Health Plan and Tennessee's Health: Guidelines for Growth.

a. Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9) here.

A. Need

Population in Cumberland and White counties is projected to grow from 2013 to 2016 by approximately 2.4%, however, the projected population growth during this time period for ages 65 and over is approximately 8.2%. The 591 currently licensed nursing home beds in Cumberland and White counties are not sufficient to meet the current estimated need of 838 beds. Although no additional beds are requested in this CON application, the population growth and bed need projections show there is a continued need for nursing home beds in Cumberland and White counties.

Please see Attachment C. Need. 1.A.

B. Occupancy and Size Standards

While other nursing homes in Cumberland and White counties have operated at less than 90% occupancy, Wharton Nursing Home has operated at a 94% occupancy rate for 2012 and 2013.

Please see Attachment C. Need. 1.B.

b. Applications that include a Change of Site for a health care institution, provide a response to General Criterion and Standards (4)(a-c)

Not Applicable.

The proposed plan is to operate the currently licensed 62 beds in two adjacent buildings under the current single license as approved by the Tennessee Board for Licensing Health Care Facilities.

Please see Attachment C. Need. 1.b.

2. Describe the relationship of this project to the applicant facility's long-range development plans, if any.

Uplands Village's long-range plan includes the renovation of a currently vacant facility (except for a wing used for administrative offices) to provide for 31 dually licensed ICF/SNF beds, physical therapy and wellness gyms, dining facilities, and administrative and support services. The 31 beds in the renovated facility will be relocated from their current facility. The vacated beds in the current facility will be converted to a memory care assisted living unit. Uplands Village's administrative and support services will be relocated from its current location to the renovated facility. This vacated facility will be used as a community building for the residents of Uplands Village. The long-range plan also provides for the construction of an aquatic therapy facility to be used by residents of Uplands Village for aquatic therapy and wellness.

The portion of the long-range plan proposed in this CON application involves the renovation of an adjacent building on the campus and the relocation of 31 nursing home beds to the renovated building. The 62 licensed nursing home beds will be operated in the two buildings under Wharton Nursing Home's current license.

3. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. Please submit the map on 8 1/2" x 11" sheet of white paper marked only with ink detectable by a standard photocopier (i.e., no highlighters, pencils, etc.).

The proposed project's primary service area is Cumberland and White Counties. The facility to be renovated is located in the western portion of Cumberland County near the White County line and therefore is in a location to easily provide services to both counties. Both of these counties are within a 30 mile radius of the proposed facility.

A portion of other counties within a 30 mile radius are considered our secondary service area. The counties include Putnam, Overton, Fentress, Morgan, Roane, Rhea, Bledsoe, and Van Buren counties.

Please see Attachment C. Need. 3.

4. A. Describe the demographics of the population to be served by this proposal.

The elder population in the primary service area is approximately 24% of the total population. The population age 65 and older is expected to increase by approximately 8.2% over the next 3 years.

Please see Attachment C. Need. 4.A.

B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

As the elderly population increases in Cumberland and White counties, there is a continuing need for skilled and intermediate nursing care in the service area. A demand analysis provided to us by CliftonLarsonAllen in July 2013 shows there is an unmet need of 14 short stay beds within Cumberland County alone in addition to the currently operated beds. In addition, the demand analysis suggests an unmet need for 61 additional memory care assisted living beds in Cumberland County affordable for those with incomes of \$35,000 or 32 beds affordable for those with incomes of \$50,000.

Please see Attachment C. Need. 4.B.

5. Describe the existing or certified services, including approved but unimplemented CONs, similar institutions in the service area. Include utilization and/or occupancy trends for each the most recent three years of data available for this type of project. Be certain to list each institution and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges, patient days, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc.

There are currently 591 licensed nursing home beds in Cumberland and White counties which provided 178,358 days of care in 2012.

Please Attachment C. Need. 5

6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization for each of the two (2) years following completion of the project. Additionally, provide the details regarding the methodology used for project utilization. The methodology must include detailed calculations or documentation for referral sources, and identification of all assumptions.

Wharton Nursing Home has maintained an occupancy rate of 94% - 98% from 2010 - 2013. The proposed project estimates a total occupancy rate of 94%, however, the services and payer sources are projected to change when the project is completed. SNF services began May 2013. Currently SNF days are approximately 11% of total days. When the proposed project is completed and SNF services are primarily provided in a separate unit from ICF services, SNF days are projected to increase to approximately 22% of total days during the first year of operation. During the second year of operation SNF services are projected to increase to approximately 50% of total days. This is based on an average occupancy rate of 93% for the new unit.

Please see Attachment C. Need. 6

1. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.

- All projects should have a project cost of at least \$3,000 on Line F. (Minimum CON Filing Fee). CON filing fee should be calculated from Line D. (See Application Instructions for Filing Fee).
- The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.
- The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.
- For projects that include new construction, modification, and/or renovation; documentation must be provided from a contractor and/or architect that support the estimated construction costs.

Please see Attachment C. Economic Feasibility. 1.

35
PROJECT COSTS CHART

A. Construction and equipment acquired by purchase:	
1. Architectural and Engineering Fees	300,305
2. Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	35,000
3. Acquisition of Site	
4. Preparation of Site	186,710
5. Construction Costs	3,817,350
6. Contingency Fund	
7. Fixed Equipment (Not included in Construction Contract)	
8. Moveable Equipment (List all equipment over \$50,000)	749,185
9. Other (Specify)	
B. Acquisition by gift, donation, or lease:	
1. Facility (inclusive of building and land)	
2. Building only	
3. Land only	
4. Equipment (Specify)	
5. Other (Specify)	
C. Financing Costs and Fees:	
1. Interim Financing	
2. Underwriting Costs	
3. Reserve for One Year's Debt Service	
4. Other (Specify)	
D. Estimated Project Cost (A+B+C)	
E. CON Filing Fee	5,088,550
F. Total Estimated Project Cost (D+E)	11,460
TOTAL 5,100,000	

2. Identify the funding sources for this project.

Please check the applicable item(s) below and briefly summarize how the project will be financed. (Documentation for the type of funding **MUST** be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.)

- ☐ A. Commercial loan--Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan and any restrictions or conditions;
- ☐ B. Tax-exempt bonds--Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;
- ☐ C. General obligation bonds--Copy of resolution from issuing authority or minutes from the appropriate meeting.
- ☐ D. Grants--Notification of intent form for grant application or notice of grant award; or
- ☐ E. Cash Reserves--Appropriate documentation from Chief Financial Officer.
- ☒ F. Other--Identify and document funding from all other sources.

The project will be funded with a direct loan through USDA Rural Development. The loan is for \$6,500,000; however, the proceeds of the loan in excess of the costs of the proposed project will be used to fund other projects that are not a part of the project covered by this CON application.

Please see Attachment C. Economic Feasibility. 2.

3. Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot of construction to similar projects recently approved by the Health Services and Development Agency.

Cost per square foot estimates were provided by Upland Design Group. The cost per square foot for this project was developed using a combination of methods including RS Means construction per square foot cost, previous and recent local projects that Upland Design Group had recently bid or completed, their engineer recommendations, local contractor input and bidding climate. Based on this, Upland Design Group estimates cost per square foot for new construction at \$140/sq. ft. and for renovation at \$90/sq. ft.

Recently approved CON applications:

CN1306-022	The Health Center of Hermitage	\$172.14/sq. ft. for new construction
CN1307-024	Shannondale Rehabilitation Center	\$141.51/sq. ft. for new construction
CN1307-025	NHC/Maury Regional Transitional Care	\$170.48/sq. ft. for new construction

4. Complete Historical and Projected Data Charts on the following two pages--Do not modify Charts provided or submit Chart substitutions! Historical Data Chart represents revenue and expense information for the last *three (3)* years for which complete data is available for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the *Proposal Only* (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility).

HISTORICAL DATA CHART

Give information for the last *three (3)* years for which complete data are available for the facility or agency. The fiscal year begins in July (Month).

	Year <u>2011</u>	Year <u>2012</u>	Year <u>2013</u>
A. Utilization Data (Specify unit of measure)	22,241 Days	21,264 Days	21,513 Days
B. Revenue from Services to Patients			
1. Inpatient Services	\$3,712,406	\$3,804,977	\$4,097,152
2. Outpatient Services			
3. Emergency Services			
4. Other Operating Revenue (Specify)			
Gross Operating Revenue	\$3,712,406	\$3,804,977	\$4,097,152
C. Deductions from Gross Operating Revenue			
1. Contractual Adjustments	\$23,229	\$101,020	\$895,306
2. Provision for Charity Care			
3. Provisions for Bad Debt	27,957	9,922	0
Total Deductions	\$51,186	\$110,942	\$395,306
NET OPERATING REVENUE	\$3,661,220	\$3,694,035	\$3,701,846
D. Operating Expenses			
1. Salaries and Wages	\$1,981,897	\$2,154,636	\$2,248,093
2. Physician's Salaries and Wages			
3. Supplies	302,329	316,568	278,152
4. Taxes	137,950	137,950	137,950
5. Depreciation	220,386	236,473	235,663
6. Rent			
7. Interest, other than Capital			
8. Other Expenses (Specify) <u>Utilities, Contract Svcs, Repairs & Maint, etc</u>	252,008	289,315	453,730
Total Operating Expenses	\$2,894,520	\$3,134,942	\$3,353,588
E. Other Revenue (Expenses) – Net (Specify)	\$	\$	\$
NET OPERATING INCOME (LOSS)	\$766,700	\$559,093	\$348,258
F. Capital Expenditures			
1. Retirement of Principal	\$53,788	\$58,162	\$60,024
2. Interest	139,844	134,284	126,795
Total Capital Expenditures	\$193,632	\$192,466	\$186,819
NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES	\$573,068	\$366,627	\$161,439

PROJECTED DATA CHART

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in July (Month).

	Year <u>2016</u>	Year <u>2017</u>
A. Utilization Data (Specify unit of measure)	<u>21,045 Days</u>	<u>21,045 Days</u>
B. Revenue from Services to Patients		
1. Inpatient Services	\$ <u>7,445,284</u>	\$ <u>9,741,699</u>
2. Outpatient Services	<u> </u>	<u> </u>
3. Emergency Services	<u> </u>	<u> </u>
4. Other Operating Revenue (Specify) <u> </u>	<u> </u>	<u> </u>
Gross Operating Revenue	\$ <u>7,445,284</u>	\$ <u>9,741,699</u>
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	\$ <u>1,131,910</u>	\$ <u>2,045,249</u>
2. Provision for Charity Care	<u> </u>	<u> </u>
3. Provisions for Bad Debt	<u>37,226</u>	<u>48,708</u>
Total Deductions	\$ <u>1,169,136</u>	\$ <u>2,093,957</u>
NET OPERATING REVENUE	\$ <u>6,276,148</u>	\$ <u>7,647,742</u>
D. Operating Expenses		
1. Salaries and Wages	\$ <u>3,521,993</u>	\$ <u>3,627,653</u>
2. Physician's Salaries and Wages	<u> </u>	<u> </u>
3. Supplies	<u>462,975</u>	<u>476,864</u>
4. Taxes	<u>137,960</u>	<u>187,950</u>
5. Depreciation	<u>857,500</u>	<u>857,500</u>
6. Rent	<u> </u>	<u> </u>
7. Interest, other than Capital	<u> </u>	<u> </u>
8. Other Expenses (Specify) <u>Utilities, Contract Svcs, Repairs & Maint, etc</u>	<u>993,989</u>	<u>1,848,804</u>
Total Operating Expenses	\$ <u>5,474,387</u>	\$ <u>6,448,771</u>
E. Other Revenue (Expenses) -- Net (Specify)	\$ <u> </u>	\$ <u> </u>
NET OPERATING INCOME (LOSS)	\$ <u>801,761</u>	\$ <u>1,198,971</u>
F. Capital Expenditures		
1. Retirement of Principal	\$ <u>125,570</u>	\$ <u>130,422</u>
2. Interest	<u>340,328</u>	<u>335,476</u>
Total Capital Expenditures	\$ <u>465,898</u>	\$ <u>465,898</u>
NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES	\$ <u>335,863</u>	\$ <u>733,073</u>

5. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.

Gross Charges	1st Year			2nd Year		
	Days		Avg/Day			Avg/Day
Medicaid ICF	9,400	1,974,000	210	6,000	1,260,000	210
Private Pay ICF	7,095	1,489,950	210	4,525	950,250	210
Medicare SNF	4,550	2,375,178	522	10,525	5,925,284	563
Alzheimer's	10,520	1,347,612	128	10,520	1,347,612	128
Dining Services		219,000			219,000	
Other		39,544			39,553	
		7,445,284			9,741,699	
Revenue Deductions						
Medicaid ICF		(488,800)	(52)		(312,000)	(52)
Private Pay ICF		(110,682)	(16)		(70,590)	(16)
Medicare SNF		(532,428)	(117)		(1,662,659)	(158)
Bad Debt		(37,226)			(48,708)	
		(1,169,136)			(2,093,957)	
Net Charges						
Medicaid ICF		1,485,200	158		948,000	158
Private Pay ICF		1,342,042	189		830,952	184
Medicare SNF		1,842,750	405		4,262,625	405
Alzheimer's		1,347,612	128		1,347,612	128
Dining Services		219,000			219,000	
Other		39,544			39,553	
		6,276,148			7,647,742	

6. A. Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the proposed project and the impact on existing patient charges.

ICF/SNF Room & Board	\$210 per day
Ancillary supplies, drugs & services	2x cost or Medicare fee schedule

The charges for the proposed project are based on charges that are currently in place. Revenue from the proposed project is anticipated to increase from current revenues due to increase in skilled utilization. Additionally, the revenue from the Memory care assisted living will provide addition revenues that are not currently provided.

- B. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

	<u>ICF</u>	<u>SNF</u>
Wharton Nursing Home	\$210	\$405
Good Samaritan Society	\$205	\$407
Lifecare Center of Crossville	\$187	\$443
Wyndridge Health & Rehab Ctr	\$243	\$243
Lifecare Center of Sparta	\$214	\$427
NHC Health Center Sparta	\$184	\$413

Source for similar facilities: 2012 Joint Annual Report

7. Discuss how projected utilization rates will be sufficient to maintain cost-effectiveness.

Projected utilization rates are based on current occupancy rates of approximately 93%. Although the occupancy rate is projected to remain at approximately 93%, we anticipate that, with the recent implementation of SNF services, the service mix will change in that Medicare SNF services will increase and Medicaid & Private Pay ICF services will decrease from current utilization. As reflected in the Projected Data Chart, the projected occupancy rates provide sufficient revenues to more than offset projected costs.

8. Discuss how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.

As reflected in the Historical and Projected Data Charts, financial viability is currently being realized as well as during the first two years of the completed project.

9. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.

The project will continue to participate in state and federal revenue programs including Medicare and TennCare/Medicaid. Services to medically indigent patients are provided by funds maintained by Uplands but restricted for benevolent use. Estimated revenues are presented in the chart provided with question 5 above.

10. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility-10.

Please see Attachment C. Economic Feasibility. 10.

11. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:

a. A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.

The alternative to this project would be to do nothing and continue to provide the services that are currently being provided. This project will allow Uplands Village to provide SNF services in a separate unit from ICF services. It also provides for memory care assisted living services which are not currently provided and are not available in the service area. Although memory care services are provided in the service area, it is not currently provided in an assisted living venue.

b. The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.

Consideration was given to both new construction and to renovation of a current vacant facility. Renovation was more economically feasible in that the cost was approximately \$2,500,000 lower than new construction. Although ongoing maintenance costs of a renovated building would be higher than for a newly constructed building, it is estimated that the maintenance costs would be less than the cost difference of building a new facility.

Please see Attachment C. Economic Feasibility. 11.b.

43 CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

1 List all existing health care providers (e.g., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, e.g., transfer agreements, contractual agreements for health services.

Cumberland Medical Center	Caris Hospice
Cookeville Regional Medical Center	Avalon Hospice
White County Community Hospital	Dr. Dwight Willett (Medical Director)
Functional Pathways (Therapy services)	Holston Gases (Oxygen services)
Morrison (Dietary services)	PHS Health Solutions (Mental Health services)
Middle TN Pharmacy Services	CLS Clinical Lab Services
Hospice of Cumberland County	Quality Mobile X-ray Services
Gentiva Hospice	

2 Describe the positive and/or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

Although no new ICF/SNF beds are being proposed with this CON application, the proposal will have a positive effect on the health care system in Cumberland and White counties in that it will help with an unmet need for memory care assisted living services.

Uplands Village is 1 of only 12 Eden Alternative® registered facilities in Tennessee and is the only one in Cumberland and White counties. The Eden Alternative® advocates for a shift from institutional models of care to person-directed values and practices that put the person first. Person-directed care is structured around the unique needs, preferences, and desires of the individual. The Eden Alternative® focuses on creating Elder-centered communities – wherever Elders live – that thrive on close and continuing relationships, meaningful interactions, opportunities to give as well as receive, and a rich and diverse daily living.

Please see Attachment C. Contribution to the Orderly Development of Health Care.2

This proposal will allow Uplands to continue to provide a continuum of care to elders and others we serve within the Eden Alternative® philosophy of care, even when providing skilled nursing care which traditionally is provided in a medical model of care. Skilled nursing care services will be provided in private rooms in a home-like environment.

3 Provide the current and/or anticipated staffing pattern for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of Labor & Workforce Development and/or other documented sources.

Administrator	1.0	LPN	15.4
Director of Nursing	1.0	Caregiver (CNA)	43.4
Ass't Director of Nursing	1.0	Team Leader	2.0
MDS Coordinator	2.0	Dietary	20.5
Staff RN	4.2	Housekeeping	4.2
Social Worker	1.0	Transportation	1.0
Activity Coordinator	1.0	Laundry	2.8
Activity Assistant	1.4	Maintenance	1.0
Medical Records	1.0	Total	104.9
Administrative Ass't	1.0		

Hourly Wage Comparison for Clinical Staff ⁴⁴		
	<u>Project</u>	<u>2012 Wages</u>
RN	24.00	25.60
LPN	16.60	15.80
Caregiver (CNA)	10.40	10.00

Source for 2012 Wages: 2012 Tennessee Occupational Wages published by the Tennessee Department of Labor and Workforce Development

- 4 Discuss the availability of and accessibility to human resources required by the proposal, including adequate professional staff, as per the Department of Health, the Department of Mental Health and Developmental Disabilities, and/or the Division of Mental Retardation Services licensing requirements.**

The applicant currently has staff required by the proposal, including adequate professional staff as per the Department of Health. In addition, the applicant plans to add an MDS Coordinator, an Activities Assistant, 4.2 LPN FTE's, 9.8 Caregiver FTE's, 7 Dietary FTE's, 4.2 Housekeeping FTE's, 2.8 Laundry FTE's, and one FTE each for Transportation and Maintenance. The additional positions include staffing for the planned memory care assisted living unit as well.

- 5 Verify that the applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. These include, without limitation, regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review policies and programs, record keeping, and staff education.**

The applicant currently provides the services proposed in this project and, therefore, understands all licensing certification.

- 6 Discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).**

The applicant provides in-house Eden Alternative ® care training to all staff...clinical, clerical, and administrative staff.

- 7 (a) Please verify, as applicable, that the applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental Health and Developmental Disabilities, the Division of Mental Retardation Services, and/or any applicable Medicare requirements.**

The applicant currently provides the services proposed in this project and, therefore, has reviewed and understands licensure requirements of the State of Tennessee and applicable Medicare requirements.

- (b) Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.**

Licensure: State of Tennessee for nursing home and assisted living services

Accreditation: Centers for Medicare and Medicaid Services (CMS)

(c) If an existing institution, please ⁴⁵ describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility.

Please see Attachment C. Contribution to the Orderly Development of Health Care.7.c.

Wharton Nursing Home has a 5-star overall rating according to CMS' Nursing Home Compare. Please see Attachment C. Contribution to the Orderly Development of Health Care.7.c.2

(d) For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction.

Please see Attachment C. Contribution to the Orderly Development of Health Care.7.d.

9. Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held.

Not Applicable

10. Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project

Not Applicable

11. If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

The applicant will continue to provide the Tennessee Health Services and Development Agency and/or reviewing agency information as required/requested. The applicant will continue to file information annually in the Joint Annual Report.

46
PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper as proof of the publication of the letter of intent.

DEVELOPMENT SCHEDULE

Tennessee Code Annotated § 68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

- 1 Please complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.
- 2 If the response to the preceding question *indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph*, please state below any request for an extended schedule and document the "good cause" for such an extension.

Form HF0004 Revised
02/01/06 Previous Forms are
obsolete

PROJECT COMPLETION FORECAST CHART

2014-05-28

Enter the Agency projected Initial Decision date, as published in T.C.A. § 68-11-1609(c): 5/28/14

Assuming the CON approval becomes the final agency action on that date; indicate the number of days from the above agency decision date to each phase of the completion forecast.

<u>Phase</u>	<u>DAYS REQUIRED</u>	<u>Anticipated Date (MONTH/YEAR)</u>
1. Architectural and engineering contract signed	Completed	08/13
2. Construction documents approved by the Tennessee Department of Health		04/14
3. Construction contract signed		05/14
4. Building permit secured		Not Req'd
5. Site preparation completed	30	07/14
6. Building construction commenced	30	07/14
7. Construction 40% complete	180	01/15
8. Construction 80% complete	360	06/15
9. Construction 100% complete (approved for occupancy)	450	09/15
10. *Issuance of license	Currently	Licensed
11. *Initiation of service	480	10/15
12. Final Architectural Certification of Payment	480	10/15
13. Final Project Report Form (HF0055)	510	11/15

* For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.

Note: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.

AFFIDAVITSTATE OF TennesseeCOUNTY OF Cumberland

Al Griffin being first duly sworn, says that he/she is the applicant named in this application or his/her/its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.

Al Griffin /Director of Financial Services
SIGNATURE/TITLE

Sworn to and subscribed before me this 13th day of February 2014 a Notary
(Month) (Year)

Public in and for the County/State of Cumberland



Cheryl J Heckler
NOTARY PUBLIC

My commission expires December 6 2016
(Month/Day) (Year)

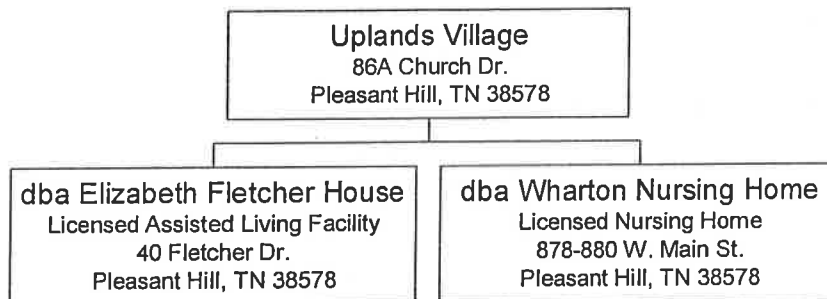
List of Attachments

	<u>Pages</u>
Attachment A, Applicant Profile	
A.3, Corporate Charter.....	A.3
A.4, Ownership Structure	A.7
A.13, MCO's/BHO's with Current or Anticipated Contracts	A.8
Attachment B, Project Description	
B.I, Approval Letter from Tennessee State Board of Licensing Facilities	A.10
B.III. (A), Plot Plan	A.11
B.III. (B), Relationship to Public Transportation	A.12
B.IV, Floor Plans	A.13
Attachment C, General Criteria	
<u>Need</u>	
C.1.A, Nursing Home Bed Projections	A.16
C.1.B, Nursing Home Occupancy Rates	A.17
C.3, Proposed Service Area Map	A.18
C.4.A, Service Area Population Projections	A.19
C.4.B, Service Area Need	A.20
C.5, Existing or Certified Nursing Home Beds in Proposed Service Area	A.21
C.6, Uplands Village/Wharton Nursing Home Utilization	A.22
<u>Economic Feasibility</u>	
C.1, Schematic Design Cost Estimate	A.24
C.2, Documentation of Funding Sources	A.25
C.10, Internal and Audited Financial Statements	A.26
C.11.b, Construction Cost Comparison	A.61
<u>Contribution to the Orderly Development of Health Care</u>	
C.2, Eden Alternative ® Documentation	A.63
C.7.c, Current Facility License	A.66
C.7.c.2, Nursing Home Compare Results	A.67
C.7.d, Most Recent Inspection/Plan of Correction	A.70
Proof of Publication	A.76

Uplands Village is a 501(c)(3) tax-exempt continuing care retirement community (CCRC). As a CCRC, Uplands Village strives to provide care to its members and those in the community in need of healthcare services. Uplands Village provides services throughout the continuum of care to include home nursing visits for its residents, assisted living, skilled nursing, and intermediate long-term care.

The below chart provides a summary organizational structure of the business lines owned and operated by Uplands Village. All business lines are owned 100% by Uplands Village and operates under the oversight a single self-perpetuating board of directors. Although this proposal is not requesting addition to the 62 beds currently licensed, the proposed plan would move 31 of the beds from 880 W. Main St. to an adjacent building located at 55 W. Lake Rd. and operate all 62 licensed beds under one license. Assisted living licensure will be sought for the 31 beds vacated to convert the facility to a memory care assisted living unit.

Current



Proposed



ATTACHMENT A.13

Contracted (current/anticipated) Managed Care and Behavioral Health Organizations

UnitedHealthcare Community Plan

UnitedHealthcare Community Plan

8 Cadillac Dr.

Brentwood, TN 37027

AMERIGROUP

www.amerigroupcorp.com

Community Care

Three Lakeview Place

22 Century Blvd., Suite 310

Nashville, TN 37214

TennCare Select

TennCare Select

801 Pine Street

Chattanooga, TN 37402-2555

FAX: (423) 752-6790

Attachment B

Projection Description



	<u>Pages</u>
Attachment B, Project Description	
B.I, Approval Letter from Tennessee State Board of Licensing Facilities	A.10
B.III. (A), Plot Plan	A.11
B.III. (B), Relationship to Public Transportation	A.12
B.IV, Floor Plans	A.13

52
Attachment B.I



STATE OF TENNESSEE
DEPARTMENT OF HEALTH
DIVISION OF HEALTH LICENSURE & REGULATION
OFFICE OF HEALTH CARE FACILITIES
665 MAINSTREAM DRIVE, SECOND FLOOR
NASHVILLE, TENNESSEE 37243
TELEPHONE (615) 741-7221
FAX (615) 741-7051

February 12, 2014

Al Griffin
Director of Financial Services
Uplands Village
P.O. Box 168
Pleasant Hill, TN 38578

RE: Wharton Nursing Home #28

Dear Mr. Griffin:


The Board for Licensing Health Care Facilities met on January 23, 2014. The following request was granted:

TO ALLOW WHARTON NURSING HOME TO MOVE 31 NURSING HOME BEDS FROM THE 880 W. MAIN STREET BUILDING TO THE ADJACENT BUILDING LOCATED AT 55 W. LAKE ROAD AND TO OPERATE THE TWO DIFFERENT BUILDINGS ON THE SAME CAMPUS UNDER ONE LICENSE WHICH WILL BE WHARTON NURSING HOME SUBJECT TO PLANS REVIEW APPROVAL OF SUBMITTED PLANS FOR RENOVATION OF OLD NURSING HOME AND PROVISION OF SCHEMATIC WITH CLEAR INDICATION OF TWO BUILDINGS TO BE PART OF THE LICENSE. ALLOW ONE ADMINISTRATOR AND ONE DON TO SERVE BOTH BUILDINGS UNDER LICENSE #28 WHILE LOCATED AT 880 W. MAIN STREET AND 55 W. LAKE ROAD.

Board action was taken in accordance with Section 68-11-209, Chapter 11, Tennessee Code Annotated, which gives the Board authority to waive rules and regulations that do not have a detrimental effect on the health, safety and welfare of the public.

If you have any questions you may contact this office at (615) 741-7221.

Sincerely,


Ann Rutherford Reed, RN, BSN, MBA
Director of Licensure
Division of Health Care Facilities

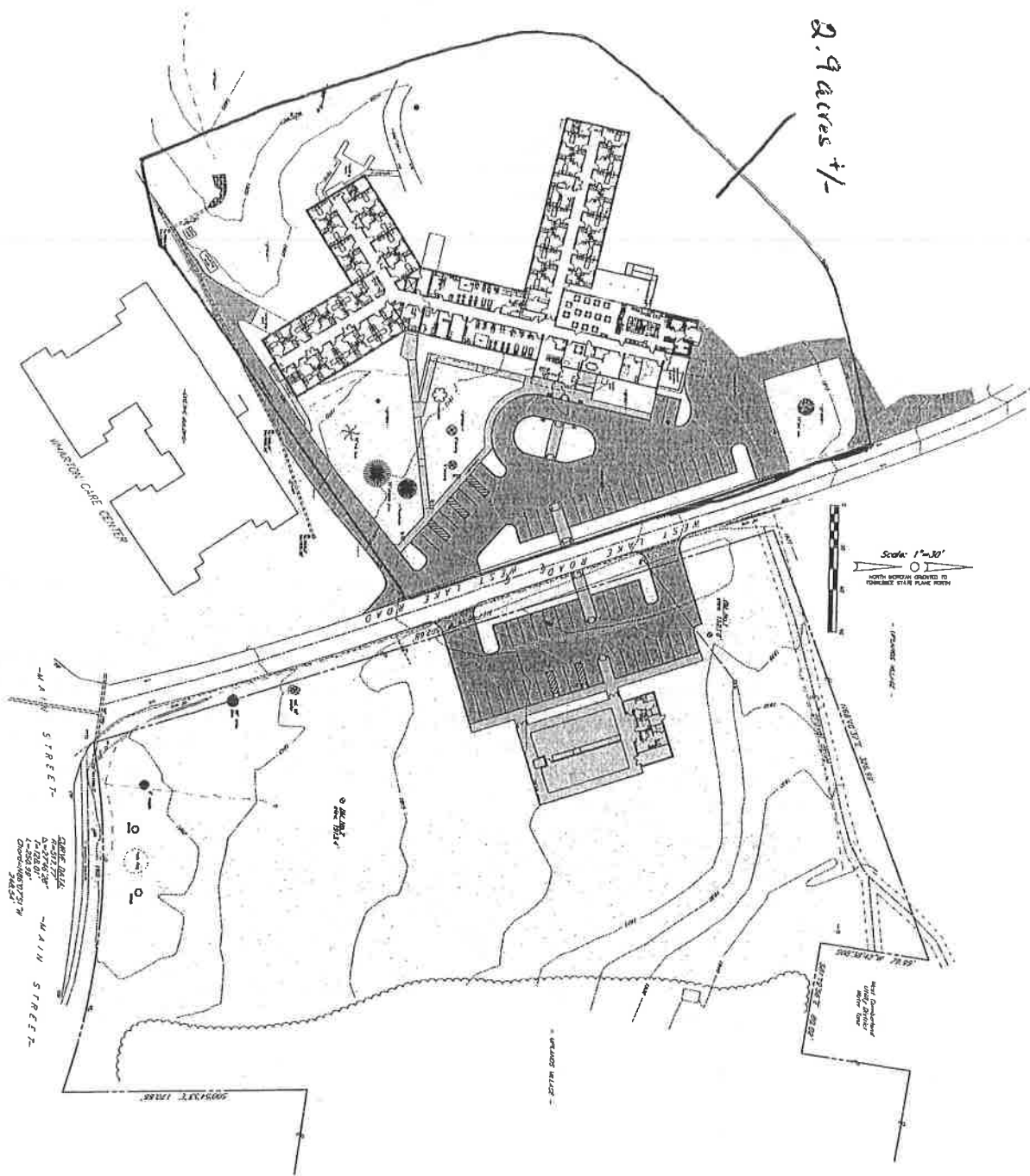
ARR/weh

cc: Richard Woodard, Executive Director
ETRO
File
Delores Willis

0180491.01333

2.9 acres +/-

PRELIMINARY SITE PLAN - OPTION 2



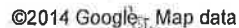
PROJECT NO.	862A
DATE	12-9-13
PRELIMINARY SITE PLAN	
DESIGN	DATE
CNO	
MC	A0.1

DESIGNED BY	
CHECKED BY	
DATE	

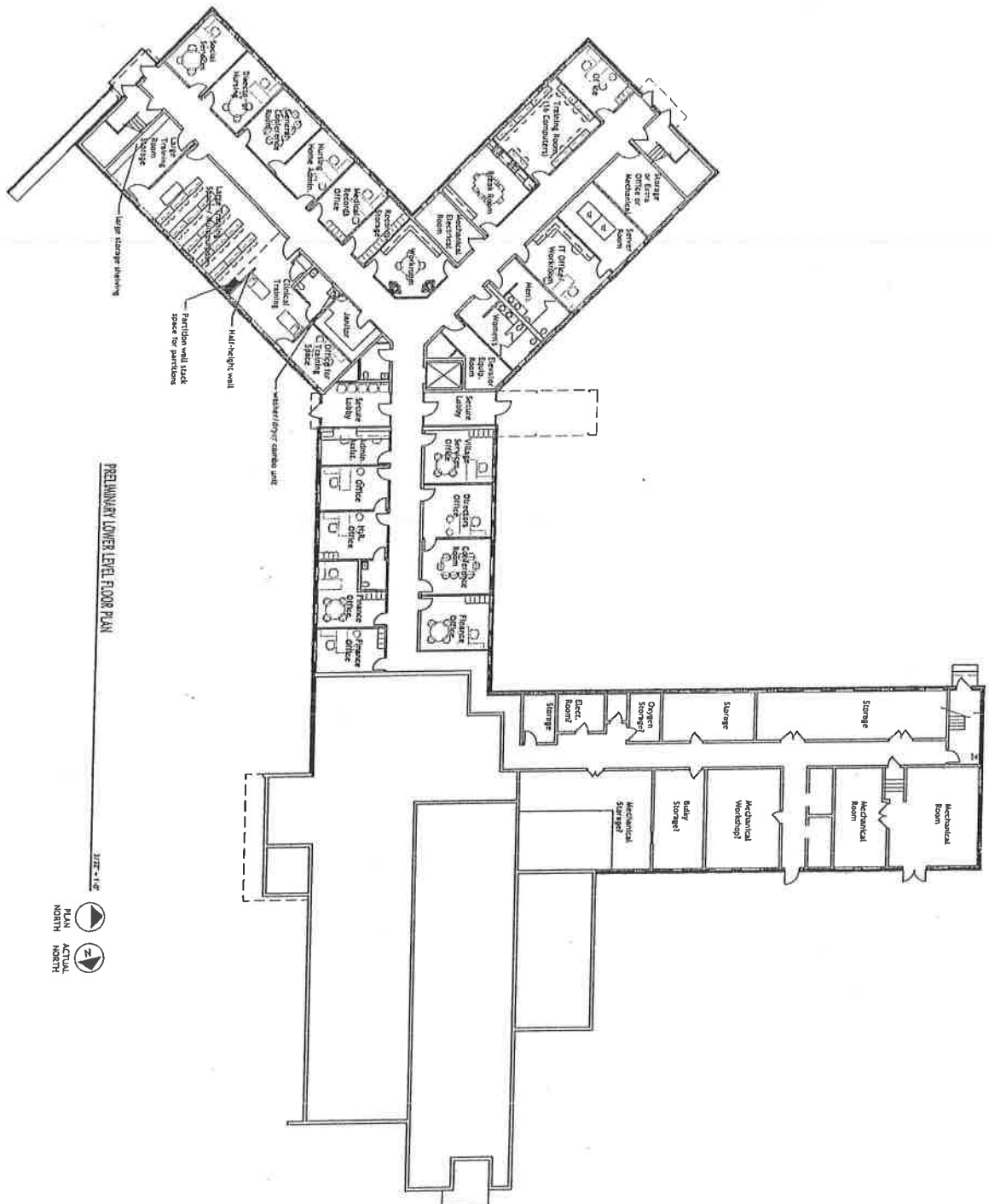
RENOVATION OF	
UPLANDS WELLNESS CENTER	
UPLANDS VILLAGE	
Client:	Uplands Village
LOCATION:	Pleasant Hill, Tennessee

	P.A.S. INC. 10000 N. 100th St. Suite 100 Dallas, TX 75243 Tel: 214-343-1111 Fax: 214-343-1112
--	--

Address **55 W Lake Rd**
Pleasant Hill, TN 38578



Page A.12



PRELIMINARY LOWER LEVEL FLOOR PLAN

 $\overline{WIT} = 1.0$ 

NORTH NORTH




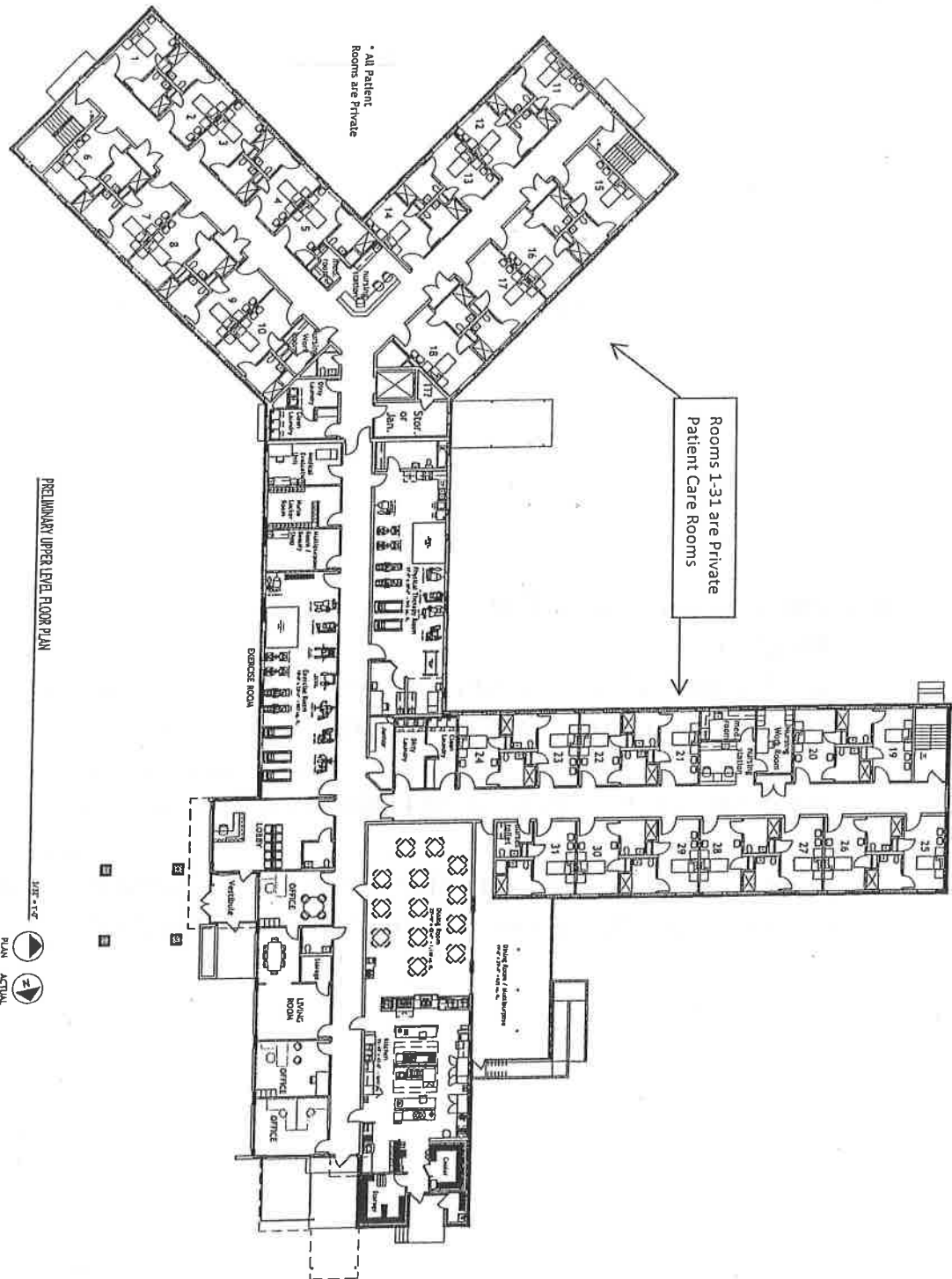
NORTH

101 00.	
862A	DATE DATE
12-9-13	TIME TIME
PRELIMINARY LOWER LEVEL FLOOR PLAN	
3100	10111 SS.
CMD	KEY
KAC	
A1.1	

101	<p>007911641</p> <p>THE NATIONAL ARCHIVES COLLEGE PARK, MARYLAND 20740-6035 OFFICE OF THE DIRECTOR, RECORDS OF THE BOARD OF GOVERNORS DATE OF THIS VERSION</p> <p>*****</p> <p>*****</p> <p>*****</p> <p>*****</p> <p>*****</p> <p>*****</p>
-----	--

RENOVATION OF UPLANDS WELLNESS CENTER UPLANDS VILLAGE

Upland
DESIGN GROUP

P.O. BOX 1004
CHERRYVILLE, PA 16017
www.uplanddesigngroup.com
PA 717/847-7541
Fax 717/647-1117



862A	12-9-13	PRELIMINARY UPPER LEVEL FLOOR PLAN	CHD	WAC	A1.2
------	---------	------------------------------------	-----	-----	------

DESIGNED BY	DATE	BY	CHKD BY	APP'D BY

RENOVATION OF
UPLANDS WELLNESS CENTER
UPLANDS VILLAGE

Owner: Uplands Village Location: Pleasant Hill, Tennessee

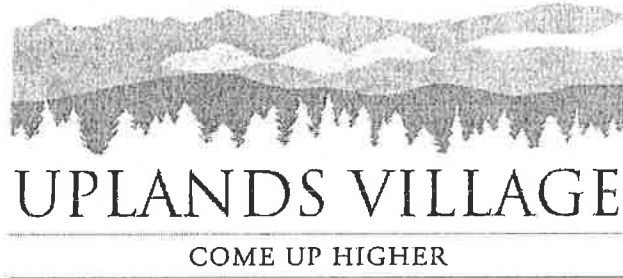
Upland Design Group

2000 W. 10th St.
P.O. Box 100
Pleasant Hill, TN 38453
Tel: 615.841.1231

Attachment C

General Criteria

Need



	<u>Pages</u>
Attachment C, General Criteria	
<u>Need</u>	
C.1.A, Nursing Home Bed Projections	A.16
C.1.B, Nursing Home Occupancy Rates	A.17
C.3, Proposed Service Area Map	A.18
C.4.A, Service Area Population Projections	A.19
C.4.B, Service Area Need	A.20
C.5, Existing or Certified Nursing Home Beds in Proposed Service Area	A.21
C.6, Uplands Village/Wharton Nursing Home Utilization	A.22

59
Attachment C. Need. 1.A

Cumberland and White Counties Nursing Home Bed Projections

2014-2016

Population Projections

Age	2013	2014	2015	2016	2013-2016
					Growth
<= 65	62,743	62,924	62,921	63,090	0.55%
65-74	11,342	11,718	12,319	12,354	8.92%
75-84	5,804	5,915	6,035	6,172	6.34%
85+	2,147	2,218	2,295	2,355	9.69%
Total	<u>82,036</u>	<u>82,775</u>	<u>83,570</u>	<u>83,971</u>	2.36%

Source: Tennessee Department of Health, Office of Policy, Planning Assessment,
Division of Health Statistics

Need for Nursing Home Beds

	Factor	Beds	Beds	Beds	Beds
<= 65	0.0005	31	31	31	32
65-74	0.0120	136	141	148	148
75-84	0.0600	348	355	362	370
85+	0.1500	<u>322</u>	<u>333</u>	<u>344</u>	<u>353</u>
Total		838	860	886	903

Licensed Nursing Home Beds

Cumberland County

Good Samaritan Society	30
Life Care Center of Crossville	122
Wharton Nursing Home	62
Wyndridge Health & Rehab Ctr	<u>157</u>
Total Licensed Beds	371

White County

Life Care Center of Sparta	100
NHC Healthcare, Sparta	<u>120</u>
Total Licensed Beds	<u>220</u>

Total Licensed Beds 591

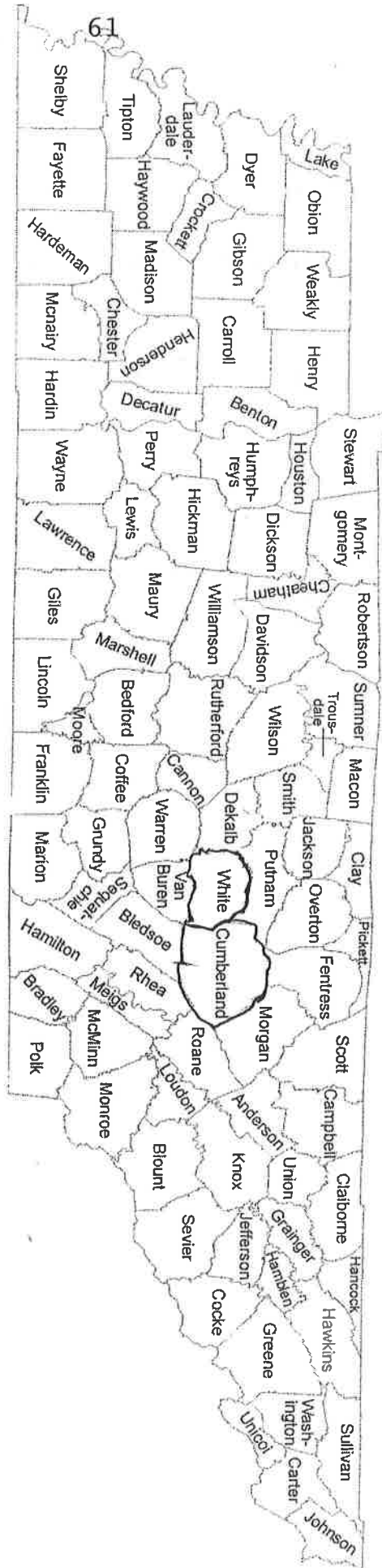
Source: Tennessee Department of Health: Health Care Facilities

60
Attachment C. Need. 1.B

Cumberland and White Counties Nursing Home Occupancy Rates

	Licensed Beds	Admissions	Resident Days of Care	Occ %
Cumberland County				
Good Samaritan Society	30	189	8,930	82%
Life Care Center of Crossville	122	326	32,604	73%
Wharton Nursing Home	62	37	21,264	94%
Wyndridge Health & Rehab Ctr	157	402	48,787	85%
Total	371	954	111,585	82%
White County				
Life Care Center of Sparta	100	303	31,593	87%
NHC Healthcare Sparta	120	348	35,180	80%
Total	220	651	66,773	83%
Total Primary Service Area	591	1,605	178,358	83%

Source: 2012 Joint Annual Report of Nursing Homes



Population Projections for Cumberland & White Counties

<u>Age</u>	<u>2013</u>		
<= 65	62,743	76%	
65-74	11,342	14%	} 24% Age 65+
75-84	5,804	7%	
85+	2,147	3%	
Total	<u>82,036</u>		

Source: Tennessee Department of Health, Office of Policy, Planning Assessment,
Division of Health Statistics

Conclusions

- ThirdAge was asked to review the market viability of the proposed re-use of the old Wharton Nursing Home, which includes:
 - Moving 31 beds from the existing Wharton Homes to a refurbished, updated Wharton Nursing Home building
 - Creating a therapy gym, dining and attendant support spaces
 - Re-using the vacated area within the Wharton Homes – to provide Assisted Living Memory Care services (this would represent the phased addition of approximately 31 new beds)
- Based on our review, analysis and the application of proprietary bed need methodologies our conclusions are as follows:
 - There is a continuing demand for skilled and intermediate nursing care within Cumberland County. The market analysis performed by ThirdAge indicates an unmet need for 14 additional short stay beds within the market area along with a modest surplus of 6 long stay beds. Stated differently, there is a continuing demand for the nursing beds currently operated by Uplands Village. Creating a specialized short stay/ rehab unit comprised of approximately 31 beds (located in private rooms, with full private baths) will enhance Uplands market position. We believe that the number of Medicare bed days will be higher than indicated in Proforma.2 (included in the internal financial projections developed by Uplands staff) though perhaps not as high as indicated in Proforma 1.
 - In addition, there is an unmet need for 61 additional memory care assisted living beds (affordable to those with \$35,000 in income) or 32 beds (if only affordable to those with \$50,000 in annual income) within the County. Assuming that Uplands Village can achieve a reasonable market share – a project consisting of up to 36 beds is supportable if the fees approximate \$3,000 or 19 beds if fees approximate \$4,000. With fees estimated at approximately \$3,900 per month, a phased approach to the implementation of the memory care assisted living program is recommended (in other words, opening 1/3 to 1/2 of the beds, achieving full or near full occupancy – followed by the opening of the remaining beds).
- The viability of the project is dependent on the development of an appropriate marketing plan for both business lines, adequate funding of the marketing efforts and skillful execution of the strategies.

Cumberland and White Counties Nursing Home Occupancy Rates

	Licensed Beds	Admissions	Resident Days of Care	Occ %
Cumberland County				
Good Samaritan Society	30	189	8,930	82%
Life Care Center of Crossville	122	326	32,604	73%
Wharton Nursing Home	62	37	21,264	94%
Wyndridge Health & Rehab Ctr	157	402	48,787	85%
Total	371	954	111,585	82%
White County				
Life Care Center of Sparta	100	303	31,593	87%
NHC Healthcare Sparta	120	348	35,180	80%
Total	220	651	66,773	83%
Total Primary Service Area	591	1,605	178,358	83%

Source: 2012 Joint Annual Report of Nursing Homes

Uplands Village

Wharton Nursing Home

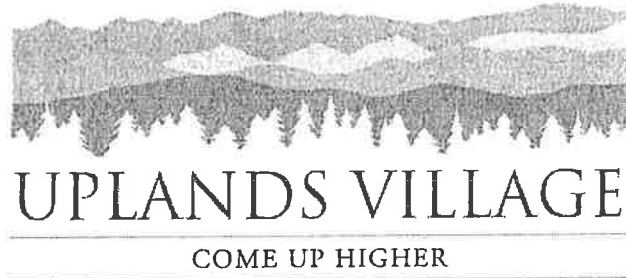
Occupancy Statistics for the Past 3 Years and Projected for 2 Years

	<u>Admissions</u>	<u>Days</u>			<u>Occ %</u>
		<u>ICF</u>	<u>SNF</u>	<u>Total</u>	
2010	33	22,138	-	22,138	98%
2011	27	22,241	-	22,241	98%
2012	37	21,264	-	21,264	94%
2013	59	20,134	1,379	21,513	95%
2015	175	16,495	4,550	21,045	93%
2016	210	10,520	10,525	21,045	93%

Attachment C

General Criteria

Economic Feasibility



	<u>Pages</u>
Attachment C, General Criteria	
<u>Economic Feasibility</u>	
C.1, Schematic Design Cost Estimate	A.24
C.2, Documentation of Funding Sources	A.25
C.10, Internal and Audited Financial Statements	A.26
C.11.b, Construction Cost Comparison	A.61

Attachment C. Economic Feasibility. 1⁶⁷



P.O. Box 1026
Crossville, TN 38557
Ph. 931 484-7541

P.O. Box 4238
Cookeville, TN 38502
Ph. 931-372-7541
www.uplanddesigngroup.com

Dec. 18, 2013

Uplands Wellness Center
Uplands Village
Pleasant Hill, Tennessee

Schematic Design Cost Estimate

1. Construction Costs

A. Rehabilitation Facility Renovation			
-	Hazardous Materials Abatement	\$	52,000.00
-	Site Development		134,710.00
-	Renovation – 42,415 sf x \$90/sf		3,817,350.00
-	A/E Fees		300,304.50
-	Soft Costs (review fees, admin., etc)		<u>35,000.00</u>
	Subtotal	\$	4,339,364.50
B. Aquatic Rehabilitation Center			
-	Site Development	\$	125,000.00
-	Service Building – 1,225 sf x \$180/sf		220,500.00
-	Therapy Pool – 60' x 45'		195,000.00
-	Enclosure – 4,466 sf		295,000.00
-	A/E Fees		62,662.50
-	Soft Costs (review fees, admin., etc.)		<u>12,000.00</u>
	Subtotal	\$	910,162.50
	Total	\$	5,249,527.00



Attachment C. Economic Feasibility. 2⁶⁸

United States Department of Agriculture

Rural Development

August 26, 2013

State Director

Lyle Weible, Chairman

3322 West End Ave
Suite 300
Nashville, TN
37203

Uplands Village
86-A Church Drive
P.O. Box 168
Pleasant Hill, TN 38578

615-783-1300
800-342-3149 x1300
Fax 615-783-1301


Dear Chairman Weible:

We are pleased to inform you that a \$6,500,000 Rural Development Community Facility Loan has been approved and obligated for your nursing home renovation, new facility construction and telecommunication system upgrade project. Enclosed is a copy of Form USDA-RD 1940-1 for your records.

Our Area Office staff will work with you regularly to help expedite loan processing and closing at the earliest possible date.

Congratulations to you on this project.

Sincerely,

 *Keith Head*
BOBBY M. GOODE
State Director

Enclosure

cc: Area Director, Cookeville, TN

USDA is an equal opportunity provider and employer.

If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form, found online at http://www.ascr.usda.gov/complaint_filing_cust.html, or at any USDA office, or call (866) 632-8992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at program.intake@usda.gov.

**Uplands Village
Balance Sheet**

	06/30/2013	12/31/2013
Current Assets		
Cash	1,293,922	1,268,280
Accounts Receivable -- URV	32,917	15,438
Accounts Receivable -- FH	6,143	23,109
Accounts Receivable -- WNH	436,858	447,899
AR - SNF	108,921	422,984
AR - OP THERAPY	71,066	129,786
Resident Accounts Receivable	655,905	1,039,215
Allowance for Contractual Adjustments	(84,620)	(203,469)
Allowance for Uncollectibles	(14,138)	(14,292)
Net Resident Accounts Receivable	557,147	821,455
Inventories	32,975	58,712
Prepaid Expenses	49,346	57,390
Checking Patient Trust	5,697	6,240
Total Current Assets	1,939,087	2,212,077
Long Term Assets		
Reserve Account - USDA	146,201	163,571
Homes for Resale	2,277,441	2,266,521
Long Term Investments	766,631	826,644
Notes Receivable	103,207	140,186
Total Long Term Assets	3,293,481	3,396,922
Fixed Assets		
Total Fixed Assets	16,540,279	16,558,801
Accumulated Depreciation	(7,105,534)	(7,354,945)
Net Fixed Assets	9,434,745	9,303,856
Restricted Funds		
Adshead Fund	1,057,505	1,059,365
Keisling Fund	101,615	99,547
Cravath Fund	492,066	494,799
Baird Fund	229,987	240,876
Mullins Fund	209,902	221,147
Home Health Fund	548,815	552,396
Total Restricted Funds	2,639,890	2,668,130
Total Assets	17,307,203	17,580,986

Uplands Village
Balance Sheet

	06/30/2013	12/31/2013
Current Liabilities		
Accounts Payable	261,883	348,842
Accrued Expenses	177,308	250,411
Interest Payable	20,609	18,930
Patient Trust Fund	5,697	12,210
Deposits Payable	38,978	49,146
Deferred Income	13,333	3,333
Total Current Liabilities	517,809	682,872
Long Term Debt		
Note Payable - USDA FHA	32,836	28,593
Note Payable - CCB - Sewer Plant	486,218	483,014
Loan Payable - USDA - WNH/EFH	4,998,449	4,958,120
Notes Payable - Resident Buybacks	669,662	214,295
Note Payable - CCB - Buybacks	-	429,689
Note Payable - USDA - WNH Equipment	266,997	259,620
Total Long Term Debt	6,454,160	6,373,331
Total Liabilities	6,971,969	7,056,204
Net Assets		
Unrestricted Net Assets	7,704,494	7,751,881
Adshead Fund	1,049,449	1,100,705
Keisling Fund	100,520	100,652
Cravath Fund	492,066	519,908
Baird Fund	229,987	251,772
Mullins Fund	209,902	221,147
Home Health Fund	548,815	578,717
Total Restricted Net Assets	2,630,740	2,772,901
Total Net Assets	10,335,234	10,524,782
Total Liabilities and Net Assets	17,307,203	17,580,986

Uplands Village
Statement of Revenue and Expense
For the Period Ending 12/31/2013

	Current Period			Year-to-Date				
	Actual	Budget	Variance	Actual	Budget	Variance		
Operating Revenues								
Village Revenues	65,210	72,421	-9.96%	392,913	426,441	-7.86%	424,865	-7.52%
Fletcher Revenues	133,427	144,102	-7.41%	785,111	855,590	-8.24%	753,960	4.13%
Wharton ICF Revenue	343,615	266,781	28.80%	1,946,693	1,691,825	15.06%	1,884,349	3.31%
Wharton SNF Revenue	134,257	292,950	-54.17%	801,281	1,364,850	-41.29%	-	-
Outpatient Therapy Revenue	59,753	48,780	22.49%	324,893	292,680	11.01%	-	-
Gross Resident Revenue	736,262	825,034	-10.76%	4,250,890	4,631,386	-8.22%	3,063,174	38.77%
Revenue Deductions	(118,715)	(175,927)	32.52%	(678,793)	(908,301)	25.27%	(124,302)	446.28%
Net Resident Revenue	617,547	649,107	-4.86%	3,572,097	3,723,085	-4.06%	2,938,872	21.55%
Membership Fees	1,000	23,334	-95.71%	46,500	70,000	-33.57%	2,000	2225.00%
Property Sales	15,445	102,265	-84.90%	272,786	357,395	-23.67%	39,944	582.95%
Other Operating Revenues	16,445	125,599	-86.91%	319,296	427,395	-25.25%	41,944	661.25%
Total Net Operating Revenue	633,993	774,706	-18.16%	3,891,393	4,150,480	-6.24%	2,980,816	30.55%
Operating Expenses								
Salaries & Wages	342,449	319,332	7.24%	1,956,682	1,904,977	2.71%	1,836,740	6.53%
Employee Benefits	67,485	70,713	-4.56%	372,539	390,704	-4.65%	259,495	43.56%
Supplies	26,248	45,720	-42.59%	163,425	273,446	-40.24%	267,567	-38.92%
Purchased Services	102,538	89,871	14.10%	602,708	539,216	11.77%	212,408	183.75%
Postage & Printing	851	2,074	-58.96%	15,548	12,444	24.95%	8,036	93.48%
Travel & Education	944	2,446	-61.42%	36,067	14,676	145.75%	27,347	31.89%
Marketing & Advertising	2,499	14,338	-82.57%	50,330	86,028	-41.50%	35,199	42.99%
Insurance	9,982	12,583	-20.67%	61,067	75,498	-19.12%	66,337	-7.95%
Utilities, Phone, TV	51,372	32,223	59.43%	161,776	193,338	-16.32%	157,057	3.00%
Repairs & Maintenance	7,298	6,017	21.30%	56,961	36,102	57.78%	43,009	32.44%
Depreciation	41,568	44,209	-5.97%	249,411	265,254	-5.97%	253,952	-1.79%
Taxes & Licenses	12,144	13,141	-7.58%	70,207	78,846	-10.96%	103,161	-31.94%
Interest	24,618	21,950	12.16%	135,569	131,700	2.95%	146,866	-7.68%
Miscellaneous	1,368	3,173	-56.88%	22,167	22,038	0.59%	30,119	-26.40%
Allocated Expenses	691,364	677,790	2.00%	3,954,474	4,024,267	-1.73%	3,447,294	14.71%
Total Operating Expenses	(57,372)	96,916	-159.20%	(63,082)	126,213	-149.98%	(466,478)	86.48%
Operating Margin								
Other Revenue								
Gain/(Loss) on Asset Disposals	23,427	-	-	49,344	-	-	14,087	-100.00%
Donations	5,821	863	574.50%	19,276	5,178	272.26%	44,937	9.81%
Interest & Investment Income	-	-	-	-	-	-	19,721	-2.26%
Fund Transfers	29,248	863	3289.06%	66,619	5,178	1225.21%	90,611	-100.00%
Total Other Revenue	953	750	27.08%	42,760	4,500	850.22%	169,357	-59.48%
Unrealized Gains/(Losses)	(27,171)	98,529	-127.58%	48,297	135,691	-64.46%	21,159	102.09%
Increase/(Decrease) in Net Assets							(275,963)	117.50%

Restricted Funds

	Current Period		
	Actual	Budget	Variance
		Last Year	Variance
500	-	3,000	-83.33%
12,044	-	15,537	-22.48%
(13)	-	420	-103.10%
12,531	-	18,957	-33.90%
-	-	-	-
-	-	-	-
-	-	-	-
12,531	-	18,957	-33.90%

	Year-to-Date				
	Actual	Budget	Variance	Last Year	Variance
50	-	-	-	106,684	-59.95%
49,813	-	-	-	30,540	63.11%
92,298	-	-	-	68,718	34.31%
142,162	-	-	-	205,942	-30.97%
-	-	-	-	1,009	-100.00%
-	-	-	-	15	-100.00%
-	-	-	-	1,023	-100.00%
142,162	-	-	-	204,919	-30.63%

UPLANDS VILLAGE

Pleasant Hill, Tennessee

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Years Ended June 30, 2013 and 2012

JOHNSON, HICKEY & MURCHISON, P.C.
Certified Public Accountants
Chattanooga, Tennessee

74
TABLE OF CONTENTS

	<u>P a g e</u>
INDEPENDENT AUDITORS' REPORT	2-3
FINANCIAL STATEMENTS:	
Balance Sheets	4-7
Statements of Operations and Changes in Net Assets	8-9
Statements of Cash Flows	10
Notes to Financial Statements	11-25
SUPPLEMENTARY INFORMATION:	
Schedule 1 - Net Resident Service Revenue	27
Schedule 2 - Cost of Services	28-29
Schedule 3 - Administrative Expenses	30



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Uplands Village:

We have audited the accompanying financial statements of Uplands Village (a nonprofit organization), which comprise the balance sheets as of June 30, 2013 and 2012, and the related statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

As explained in Note 19 to the financial statements, individual residences within the Uplands Village have been recorded incorrectly in the financial statements. Accounting principles generally accepted in the United States of America require that such property be recorded at cost at the date of acquisition less applicable accumulated depreciation. The effects on the accompanying financial statements of the unrecorded property have not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Uplands Village as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included in Schedules 1 through 3 are presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Johnson, Wickey & Menckem, P.C.

Chattanooga, Tennessee
January 21, 2014

77
UPLANDS VILLAGE
BALANCE SHEETS
JUNE 30, 2013 AND 2012

20130630

	2013		
	General	Restricted	Total
ASSETS:			
CURRENT ASSETS:			
Cash	\$ 1,395,537	\$ 266,853	\$ 1,662,390
Resident receivables, less allowance of (\$98,758 for 2013 and \$14,138 for 2012)	557,623	-	557,623
Notes and interest receivable	41,153	-	41,153
Inventories	32,975	-	32,975
Homes for sale	2,284,272	-	2,284,272
Prepaid expenses	49,348	-	49,348
Total current assets	4,360,908	266,853	4,627,761
ASSETS LIMITED AS TO USE:			
Debt service reserve	146,201	-	146,201
Resident trust funds	5,697	-	5,697
	151,898	-	151,898
INVESTMENTS	766,632	2,271,423	3,038,055
PROPERTY AND EQUIPMENT, net	9,427,911	-	9,427,911
OTHER ASSETS:			
Notes receivable	70,498	-	70,498
TOTAL ASSETS	<u>\$ 14,777,847</u>	<u>\$ 2,538,276</u>	<u>\$ 17,316,123</u>

(The accompanying notes are an integral part of these statements.)

2012		
General	Restricted	Total
\$ 1,995,003	\$ 264,492	\$ 2,259,495
357,075	-	357,075
2,896	2,754	5,650
11,972	-	11,972
2,322,180	-	2,322,180
<u>23,761</u>	<u>-</u>	<u>23,761</u>
<u>4,712,887</u>	<u>267,246</u>	<u>4,980,133</u>
118,680	-	118,680
<u>15,537</u>	<u>-</u>	<u>15,537</u>
<u>134,217</u>	<u>-</u>	<u>134,217</u>
<u>728,391</u>	<u>2,146,914</u>	<u>2,875,305</u>
<u>9,830,510</u>	<u>-</u>	<u>9,830,510</u>
<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 15,406,005</u>	<u>\$ 2,414,160</u>	<u>\$ 17,820,165</u>

(The accompanying notes are an integral part of these statements.)

78
UPLANDS VILLAGE
BALANCE SHEETS
JUNE 30, 2013 AND 2012

	2013		
	General	Restricted	Total
LIABILITIES AND NET ASSETS:			
CURRENT LIABILITIES:			
Current maturities of long-term debt	\$ 154,713	\$ -	\$ 154,713
Notes payable	571,697	-	571,697
Accounts payable	140,013	-	140,013
Deposits and credits	60,755	-	60,755
Accrued expenses	320,764	-	320,764
Deferred income	-	-	-
Total current liabilities	<u>1,247,942</u>	<u>-</u>	<u>1,247,942</u>
LONG-TERM DEBT , net of current maturities	<u>5,727,752</u>	<u>-</u>	<u>5,727,752</u>
OTHER LIABILITIES:			
Resident trust funds	5,697	-	5,697
Deposits and credits	-	-	-
Deferred income	-	-	-
	<u>5,697</u>	<u>-</u>	<u>5,697</u>
Total liabilities	<u>6,981,391</u>	<u>-</u>	<u>6,981,391</u>
NET ASSETS:			
Unrestricted	7,382,841	-	7,382,841
Temporarily restricted	413,615	1,121,098	1,534,713
Permanently restricted	-	1,417,178	1,417,178
Total net assets	<u>7,796,456</u>	<u>2,538,276</u>	<u>10,334,732</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 14,777,847</u>	<u>\$ 2,538,276</u>	<u>\$ 17,316,123</u>

(The accompanying notes are an integral part of these statements.)

2012		
General	Restricted	Total
\$ 144,252	\$ -	\$ 144,252
796,944	-	796,944
190,837	-	190,837
94,677	-	94,677
200,461	-	200,461
1,168	-	1,168
<u>1,428,339</u>	<u>-</u>	<u>1,428,339</u>
<u>5,893,482</u>	<u>-</u>	<u>5,893,482</u>
15,537	-	15,537
20,000	-	20,000
4,370	-	4,370
<u>39,907</u>	<u>-</u>	<u>39,907</u>
<u>7,361,728</u>	<u>-</u>	<u>7,361,728</u>
7,722,269	-	7,722,269
322,008	1,003,629	1,325,637
-	1,410,531	1,410,531
<u>8,044,277</u>	<u>2,414,160</u>	<u>10,458,437</u>
<u>\$ 15,406,005</u>	<u>\$ 2,414,160</u>	<u>\$ 17,820,165</u>

(The accompanying notes are an integral part of these statements.)

UPLANDS VILLAGE
STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013		
	General	Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT:			
Net resident service revenue	\$ 6,487,302	\$ -	\$ 6,487,302
Administrative assessments	-	-	-
Contributions	88,319	6,647	94,966
Net assets released from restrictions used for operations	33,189	-	33,189
Investment income	11,690	37,726	49,416
Gains on sale of securities	1,733	3,921	5,654
Wharton auxiliary	53,129	-	53,129
Other income	697	-	697
Total revenues, gains and other support	<u>6,676,059</u>	<u>48,294</u>	<u>6,724,353</u>
EXPENSES:			
Cost of services	5,017,140	-	5,017,140
Administrative assessments	-	1,009	1,009
Administrative expenses	1,740,746	-	1,740,746
Interest expense	279,511	-	279,511
Total expenses	<u>7,037,397</u>	<u>1,009</u>	<u>7,038,406</u>
OPERATING INCOME (LOSS)	<u>(361,338)</u>	<u>47,285</u>	<u>(314,053)</u>
Change in net unrealized gains (losses) on investments	32,353	79,891	112,244
Net assets released from restrictions used for general administrative and other expenses	-	(3,060)	(3,060)
Loss on disposal of assets	<u>(181)</u>	<u>-</u>	<u>(181)</u>
Excess (deficit) of revenues over expenses	<u>(329,166)</u>	<u>124,116</u>	<u>(205,050)</u>
TEMPORARILY RESTRICTED NET ASSETS:			
Contributions	111,474	-	111,474
Net assets released from restrictions	<u>(30,129)</u>	<u>-</u>	<u>(30,129)</u>
Change in temporarily restricted net assets	<u>81,345</u>	<u>-</u>	<u>81,345</u>
CHANGE IN NET ASSETS	<u>(247,821)</u>	<u>124,116</u>	<u>(123,705)</u>
NET ASSETS:			
Beginning	<u>8,044,277</u>	<u>2,414,160</u>	<u>10,458,437</u>
Ending	<u>\$ 7,796,456</u>	<u>\$ 2,538,276</u>	<u>\$ 10,334,732</u>

(The accompanying notes are an integral part of these statements.)

2012		
General	Restricted	Total
\$ 5,928,493	\$ -	\$ 5,928,493
26,515	-	26,515
612,168	7,449	619,617
81,963	-	81,963
18,514	45,085	63,599
20,608	110,472	131,080
46,493	-	46,493
1,921	-	1,921
<u>6,736,675</u>	<u>163,006</u>	<u>6,899,681</u>
5,045,974	-	5,045,974
-	18,515	18,515
1,178,782	-	1,178,782
301,917	-	301,917
<u>6,526,673</u>	<u>18,515</u>	<u>6,545,188</u>
210,002	144,491	354,493
(9,498)	(76,421)	(85,919)
-	(81,963)	(81,963)
(268)	-	(268)
200,236	(13,893)	186,343
65,215	-	65,215
-	-	-
<u>65,215</u>	<u>-</u>	<u>65,215</u>
265,451	(13,893)	251,558
<u>7,778,826</u>	<u>2,428,053</u>	<u>10,206,879</u>
<u>\$ 8,044,277</u>	<u>\$ 2,414,160</u>	<u>\$ 10,458,437</u>

(The accompanying notes are an integral part of these statements.)

UPLANDS VILLAGE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (123,705)	\$ 251,558
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities -		
Depreciation	512,863	519,174
Loss on disposal of assets	181	268
Net unrealized (gains) losses on investments	(112,244)	85,919
(Increase) decrease in operating assets -		
Resident receivables	(200,548)	52,557
Notes and interest receivables	(106,001)	437
Inventories	(21,003)	-
Homes for sale	37,908	(196,400)
Prepaid expenses	(25,587)	6,088
Increase (decrease) in operating liabilities -		
Accounts payable	(50,824)	41,494
Deposits and credits	(53,922)	(56,465)
Accrued expenses	120,303	32,255
Deferred income	(5,538)	(1,168)
Net cash provided (used) by operating activities	<u>(28,117)</u>	<u>735,717</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(821,085)	(898,590)
Sale of investments	770,579	866,459
Additions to property and equipment	(110,445)	(116,522)
Increase in assets limited as to use	<u>(27,521)</u>	<u>(29,832)</u>
Net cash used by investing activities	<u>(188,472)</u>	<u>(178,485)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable	-	339,806
Payments on notes payable	(225,247)	(296,613)
Proceeds from long-term debt	-	48,000
Payments on long-term debt	(152,087)	(143,144)
Principal payments on capital lease obligations	<u>(3,182)</u>	<u>(4,002)</u>
Net cash used by financing activities	<u>(380,516)</u>	<u>(55,953)</u>
NET INCREASE (DECREASE) IN CASH	<u>(597,105)</u>	<u>501,279</u>
CASH:		
Beginning	<u>2,259,495</u>	<u>1,758,216</u>
Ending	<u>\$ 1,662,390</u>	<u>\$ 2,259,495</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION:		
Cash paid for interest	<u>\$ 279,511</u>	<u>\$ 301,917</u>

(The accompanying notes are an integral part of these statements.)

UPLANDS VILLAGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization -

The retirement village includes various rental apartments, resident homes and duplex units constructed on land life-leased from Uplands Village (Uplands) or owned by resident members as fee-simple properties.

In addition to the retirement village, Uplands operates an assisted living facility (Elizabeth Fletcher House) and an intermediate care (Wharton Homes) nursing home and provides skilled nursing and outpatient therapy services.

Basis of accounting -

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of estimates -

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents -

Uplands considers currency on hand and demand deposits with financial institutions to be cash. Uplands considers all highly liquid investments with an original maturity of three months or less, excluding amounts held under a loan agreement, to be cash equivalents. Excess cash, transferred to broker's accounts, is included under investments. Cash in resident trust funds are not considered cash or cash equivalents since balances therein are held by Uplands in an agency capacity for various residents.

Receivables -

For resident receivables, the allowance for uncollectible accounts is based on management's assessment of the collectability of specific resident accounts and the aging of the accounts receivable. If there is a deterioration of a major resident's credit worthiness or actual defaults are higher than the historical experience, management's estimates of the recoverability of amounts due Uplands could be adversely affected.

Inventories -

Inventories are stated at the lower of cost (first-in, first-out) or market.

Homes for sale -

Homes for sale are stated at the lower of cost (first in, first out) or market. These are homes that were purchased back from residents on Uplands old life lease agreement at eighty percent of the appraised value. Uplands is no longer purchasing back any homes for any residents that are still active in a life lease agreement.

85
UPLANDS VILLAGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Assets limited as to use -

Assets limited as to use include money required to be set aside by a loan agreement for the life of the related loan and residents' personal assets.

Investments -

Investments include all amounts transferred to brokers' accounts for investments in money markets, certificates of deposit, mutual funds, and U.S. government and mortgage-backed securities, stated at fair market value. Unrealized gains or losses are included in nonoperating income.

Property and equipment -

Uplands capitalizes all expenditures in excess of \$500 for property and equipment with a useful life greater than 3 years. Property and equipment assets are recorded at cost with depreciation being charged on the straight-line basis over the estimated useful life of each item. Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets.

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as an increase in unrestricted net assets unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, Uplands reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by donor. Uplands reclassifies temporarily restricted net assets at that time.

Net assets -

Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Uplands and changes therein are classified and reported as unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets are not subject to donor-imposed stipulations. Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met, either by action of Uplands or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of operations as net assets released from restrictions. Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by Uplands.

Donor-restricted gifts -

Uplands reports gifts of cash and other assets as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. Donor stipulations are presumed for donations to specific funds designated by the Board or established by previous donors for specific purposes. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of operations as net assets

UPLANDS VILLAGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Donor-restricted gifts (continued) -

released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

Contributed services -

The directors have donated the time necessary to managing the affairs of Uplands and its activities along with residents of the community who have volunteered their services. The value of these donated services is not reflected in the accompanying financial statement since such services are not susceptible to objective measurement or valuation.

Charity care -

Uplands provides care to residents who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because Uplands does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Uplands estimates that the cost of providing the supplies and services under the charity care policy was approximately \$27,000 and \$22,000, for years ended June 30, 2013 and 2012, respectively, based on applying an average cost to charge ratio to the charges for charity care.

Net resident service revenue -

Net resident service revenue is reported at the estimated net realizable amounts from residents, third party payors, and others for services rendered and include estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations.

Income taxes -

Uplands Village was founded by Dr. May Cravath Wharton and incorporated in 1922 under the laws of the State of Tennessee as a nonprofit corporation and Internal Revenue Code 501(c)(3) and was granted exemption from income taxes under code section 501(a) in January 1939.

Advertising -

Uplands expenses the cost of advertising as it is incurred. Advertising expense for June 30, 2013 and 2012, was \$76,807 and \$28,751, respectively.

(2) NET RESIDENT SERVICE REVENUE:

Uplands has agreements with third-party payors that provide for payment to Uplands at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between Uplands established rates for services and the amounts reimbursed by third-party payors. A summary of the payment arrangements with major third-party payor follows.

UPLANDS⁸⁷ VILLAGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

(2) NET RESIDENT SERVICE REVENUE (Continued):

Medicare -

The Medicare program reimburses Uplands on prospectively determined rates per day. These rates vary according to a resident classification system which is based on clinical, diagnostic, and other factors. Uplands began providing skilled Medicare services during the year.

Medicaid -

Services rendered to Medicaid program beneficiaries are reimbursed as interim daily rates determined by the state Comptroller's office. The rates are subject to ceilings for both skilled and intermediate care. Reimbursement for services provided to intermediate and skilled care program residents is prospectively determined.

Rental income is billed monthly to each apartment and assisted living resident at the beginning of each month.

Nonrefundable service fees are billed monthly to each retirement village and assisted living resident.

(3) RESIDENT TRUST FUNDS:

Residents' personal money and money placed in an activity fund for the benefit of residents are held in trust by Uplands. These funds are accounted for as assets limited as to use and other liabilities. At June 30, 2013 and 2012, these funds totaled \$5,697 and \$15,537, respectively.

(4) DEBT SERVICE RESERVE:

The U.S Department of Agriculture loan for financing on Uplands assisted living and nursing home requires Uplands to set aside into a reserve account the sum of \$2,453 each month until there is accumulated in that account the sum of \$294,305 after which deposits may be suspended. This account shall be maintained so long as the indebtedness remains unpaid.

UPLAND⁸⁸ VILLAGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

(5) PROPERTY, PLANT AND EQUIPMENT:

A summary of property and equipment at June 30, 2013 and 2012, is as follows:

	2013	2012	Estimated Useful Lives
Land	\$ 395,534	\$ 405,075	
Land improvements	573,946	573,946	5 to 20 years
Buildings	12,153,493	12,129,045	10 to 40 years
Equipment	2,609,949	2,530,989	5 to 20 years
Sewer and treatment plant	<u>779,889</u>	<u>779,889</u>	10 to 20 years
	16,512,811	16,418,944	
Less accumulated depreciation	<u>7,105,536</u>	<u>6,593,434</u>	
	9,407,275	9,825,510	
Construction in progress	<u>20,636</u>	<u>5,000</u>	
Property, plant and equipment, net	<u>\$ 9,427,911</u>	<u>\$ 9,830,510</u>	

Depreciation expense was \$512,863 and \$519,174 for June 30, 2013 and 2012, respectively.

A portion of the original nursing home building is being used for administrative offices and the remainder is idle. Building and equipment with a carrying value of \$242,501 are idle at June 30, 2013.

(6) INVESTMENTS:

The composition of investments at June 30, 2013 and 2012, consisted of:

	2013	2012
Cash	\$ 69,960	\$ 381,065
Certificates of deposit	80,427	115,973
Money market funds	28,993	448,515
Mutual funds	2,732,427	1,754,982
U.S. Government agency securities	54,395	105,602
U.S. Government securities	64,782	69,168
Equity securities	<u>7,071</u>	<u>-</u>
	<u>\$ 3,038,055</u>	<u>\$ 2,875,305</u>

UPLANDS VILLAGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

(6) INVESTMENTS (Continued):

Investments are summarized in general and restricted funds as follows:

	<u>2013</u>	<u>2012</u>
General amounts invested in mutual funds, money market funds, U.S. Government and mortgage-backed securities through securities firms	\$ 766,632	\$ 728,391
Restricted amounts invested in mutual funds, money market funds, U.S. Government and mortgage-backed securities held through securities firms, attributable to the various funds as follows:		
Baird Fund	213,697	208,756
Cravath Family Fund	436,793	414,024
Alice Adshead Fund	922,282	862,292
Home Health Care Fund	488,749	459,808
Mullins Memorial Fund	<u>209,902</u>	<u>202,034</u>
Total restricted fund investments	<u>2,271,423</u>	<u>2,146,914</u>
Total investments	<u>\$ 3,038,055</u>	<u>\$ 2,875,305</u>

Earnings from investments consisted of interest and dividends of \$49,416 and \$63,599, net unrealized gains (losses) of \$112,244 and \$(85,919), and realized gains of \$5,654 and \$131,080 for the years ended June 30, 2013 and 2012, respectively.

(7) INVESTMENTS – DONOR-RESTRICTED ENDOWMENTS:

Uplands endowments consists of five individual restricted funds, which are donor-restricted endowments established for a variety of purposes described in Note 11.

The Board of Directors of Uplands has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Uplands classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Uplands in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, Uplands considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of

UPLANDS VILLAGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

(7) INVESTMENTS – DONOR-RESTRICTED ENDOWMENTS (Continued):

inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of Uplands, and (7) Uplands investment policy.

Uplands has adopted an investment policy for all funds invested by Uplands to have a balanced and diversified, combination approach to portfolio management to help reduce volatility and prudently maximize total return for the long term (at least a 10 year horizon). Total return is defined to be the result of capital gains, realized and unrealized, plus income derived from dividends and interest. It is recognized that economic and security market conditions are not constant, but ever changing and, as a result, ongoing portfolio adjustments will be required in order to maintain asset productivity. The fund performance objective is to be not less than the average annual increase in the Consumer Price Index plus 3% net of fees. The maximum spending objective is 5% of the rolling three year average net asset value as determined on a total return basis on January 1 of each calendar year. Portfolio funds will be rebalanced semi-annually or whenever any investment class varies more than 5% from the target allocation.

Uplands has a spending policy that calculates the amount of money annually distributed from Uplands donor-restricted endowed funds. On January 1 of each calendar year all donor-restricted endowments (restricted funds) owe the general fund (which consists of Wharton Home, Fletcher House and Retirement Village) an amount equal to two and a half percent of the total net assets line on each fund's balance sheet. Additionally each of the donor-restricted endowments are available for the withdrawal of monies in order to serve the programs purpose of each fund. This amount is calculated with the net gain (loss) year to date, minus fund donations received year to date, plus temporarily restricted assets at end of previous fiscal year.

Endowment net assets composition by type of fund as of June 30, 2013 and 2012, is as follows:

	2013		2012	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Donor-restricted endowment funds:				
Baird Fund	\$ 90,336	\$ 139,651	\$ 86,235	\$ 139,599
Cravath Family Fund	208,122	283,944	185,361	281,444
Alice Adshead Fund	403,321	654,185	349,573	650,090
Home Health Fund	284,701	264,115	255,527	264,115
Mullins Memorial Fund	134,618	75,283	126,933	75,283
	<u>\$ 1,121,098</u>	<u>\$ 1,417,178</u>	<u>\$ 1,003,629</u>	<u>\$ 1,410,531</u>

81
UPLANDS VILLAGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

(7) INVESTMENTS – DONOR-RESTRICTED ENDOWMENTS (Continued):

Total net changes in endowment net assets as of June 30, 2013 and 2012, are as follows:

	2013		2012	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Endowment net assets, beginning of year:	\$ 1,003,629	\$ 1,410,531	\$ 1,024,971	\$ 1,403,082
Contributions	-	6,647	-	7,449
Investment income	41,647	-	155,557	-
Net appreciation (depreciation)	79,891	-	(76,421)	-
Amounts appropriated for expenditure	(4,069)	-	(100,478)	-
Endowment net assets, end of year	<u>\$ 1,121,098</u>	<u>\$ 1,417,178</u>	<u>\$ 1,003,629</u>	<u>\$ 1,410,531</u>

(8) NOTES PAYABLE:

At June 30, 2013 and 2012, notes payable consisted of the following:

	2013	2012
Note payable to bank at 4.9% interest, with interest only payments. Principal is payable in one lump sum including unpaid interest on December 2013	\$ 430,208	\$ 545,326
Note payable to individual at 3.5% interest with annual interest payments of \$1,677, principal due upon sale of the property, secured by property purchased from former resident that is held for sale	55,887	55,887
Note payables to individuals at 0% interest, payable in one lump sum upon the sale of property	<u>85,602</u>	<u>195,731</u>
Total	<u>\$ 571,697</u>	<u>\$ 796,944</u>

The loans are secured by various properties purchased from former residents that are held for resale.

UPLANDS VILLAGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

(9) LONG-TERM DEBT:

A summary of long-term debt at June 30, 2013 and 2012, follows:

	<u>2013</u>	<u>2012</u>
U.S. Farmer's Home Administration, \$95,000 loan on Heritage Hall, due October 2027, payable in annual installments with interest at 5% per annum	\$ 32,836	\$ 36,499
U.S. Department of Agriculture, financing on Fletcher House and the new Wharton Home, due June 2046, payable in monthly installments of \$24,365 including interest at 4.25% per annum	4,998,449	5,077,292
Capital lease obligation payable in monthly installments of \$363 including interest, at an imputed interest rate of 7.503% until January 2013, collateralized by lease equipment		3,182
U.S. Department of Agriculture, nursing home equipment loan, due April 2025, payable in monthly installments of \$2,380 including interest at 4.125% per annum	266,997	284,181
Note payable to individual, payable in monthly installments of \$941 including interest at 3.5% per annum, until January 2015, secured by property purchased from former resident that is held for sale	16,471	26,982
Note payable to bank, payable in monthly installments of \$2,505 including interest at 5.25% per annum, until August 2048, secured by Van Dyck units located at Uplands	486,218	490,099
Note payable to individual, payable in monthly installments of \$1,022 at 0% interest, until October 2017, secured by property purchased from former resident that is held for sale	53,137	65,399
Note payable to individual, payable in monthly installments of \$1,000 at 0% interest, until February 2014, secured by property purchased from former resident that is held for sale	8,000	18,466

UPLANDS VILLAGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

(9) LONG-TERM DEBT (Continued):

Note payable to individual, payable in monthly installments of \$1,272 at 0% interest, until October 2014, secured by property purchased from former resident that is held for sale

	<u>20,357</u>	<u>35,634</u>
Total long-term debt	5,882,465	6,037,734
Less current maturities of long-term debt	<u>154,713</u>	<u>144,252</u>
Long-term debt, net of current maturities	<u>\$ 5,727,752</u>	<u>\$ 5,893,482</u>

Future debt payments are scheduled as follows:

	USDA Loans	Other Debt	Total
2014	\$ 99,404	\$ 55,309	\$ 154,713
2015	103,689	32,294	135,983
2016	108,158	22,038	130,196
2017	112,820	22,616	135,436
2018	117,683	14,981	132,664
Thereafter	<u>4,723,692</u>	<u>469,781</u>	<u>5,193,473</u>
Total	<u>\$ 5,265,446</u>	<u>\$ 617,019</u>	<u>\$ 5,882,465</u>

The U.S. Department of Agriculture (USDA) loan for refinancing on Fletcher House and financing the new Wharton Home are secured by a first lien deed of trust on the new nursing home facility, all present and future contract rights, accounts receivable, and general intangibles arising in connection with Uplands.

The note payable to the bank contains various restrictions and covenants relating to a financial ratio and other activities. At June 30, 2013 and 2012, Uplands was in compliance with all covenants.

(10) GENERAL TEMPORARILY RESTRICTED NET ASSETS:

General temporarily restricted net assets are those whose use by Uplands has been limited by donors to be used to fund additional projects and further education and training to caregivers in the nursing home.

(11) RESTRICTED NET ASSETS:

The Baird Fund was established in 1963 by David Baird for the medical care of area indigent children, and later expanded to include indigent nursing home residents and other adults. The original terms having been fulfilled through passage of time, a portion of the fund was permanently restricted in December 1991.

UPLANDS VILLAGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

(11) RESTRICTED NET ASSETS (Continued):

The Cravath Family Fund was established in December 1991 from a portion of the Baird Fund, providing that the net income of the fund be used to provide for the needs of members of Uplands Village and residents of the May Cravath Wharton Nursing Home who are otherwise unable to provide for their own health care and general retirement living, with an emphasis on assisting in maintaining an independent living circumstance for such persons.

The Home Health Care Fund was established in 1979 by a resident of Pleasant Hill to provide funds for professional consultations through home visitations to the families of the area.

The Mullins Memorial Fund was established in December 1981 with initial gifts from interested relatives and friends in memory of Mr. and Mrs. William Hutson Mullins, under conditions that the capital of the Fund remain intact, and that the income from investments be used by Uplands at any time, as may be deemed appropriate by Uplands, for any purpose connected with the Wharton Nursing Home.

The Alice Adshead Fund was established in 1972 to provide a source of revenue to offset free resident care granted by Uplands to indigent residents of the May Cravath Wharton Nursing Home. Contributions to the Fund become part of the growing corpus of the Fund with interest earned thereon to be transferred as needed to the General Fund specifically for indigent resident care at the May Cravath Wharton Nursing Home.

(12) INTEREST EXPENSE:

Uplands incurred interest expense on borrowed funds during the periods as follows:

	2013	2012
U.S. Farmer's Home Administration	\$ 1,995	\$ 365
USDA loans	224,938	230,299
Individuals, on real estate acquisition and transfer loans	22,707	44,162
Note payable to bank	29,871	27,091
Total interest expense incurred	<u>\$ 279,511</u>	<u>\$ 301,917</u>

UPLANDS VILLAGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

(13) CONTRIBUTIONS:

Contributions for the years are as follows:

	2013	2012
General contributions	\$ 199,793	\$ 677,383
Restricted contributions:		
Baird Fund	52	-
Alice Adshead Fund	4,095	4,399
Cravath Fund	2,500	3,050
	<u>6,647</u>	<u>7,449</u>
Total contribution income	\$ 206,440	\$ 684,832

(14) CONCENTRATION OF CREDIT RISK:

Uplands grants credit without collateral to its nursing home residents, many of whom are local residents and are insured under third-party payor agreements. The mix of receivables from resident and third-party payors at June 30, 2013 and 2012, is as follows:

	2013		2012
Medicare	28	%	-
Medicaid	31		54
Residents	41		46
Totals	<u>100</u>	<u>%</u>	<u>100</u> %

Financial instruments that potentially subject Uplands to concentrations of credit risk consist principally of its cash deposits with financial institutions, certificates of deposit, money market funds, mutual funds and U.S. government and mortgage-backed securities.

Uplands has cash deposits with one financial institution at June 30, 2013 and 2012, located in Tennessee. Uplands does not require collateral or other support for cash deposits and certificate of deposit instruments in excess of the federally insured limit. The maximum loss which would have resulted from that risk totaled \$1,510,365 and \$2,103,607 at June 30, 2013 and 2012, for the excess of the cash deposits reported by the financial institution.

At June 30, 2013 and 2012, financial instruments related to certificates of deposit, mutual funds, U.S. government and mortgage backed securities, and money market funds amounting to \$3,038,055 and \$2,875,305 were not collateralized.

UPLANDS VILLAGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

(15) EMPLOYEE BENEFITS:

Uplands has a sheltered annuity plan for Uplands' employees after one year's service. The plan may make discretionary contributions to individual annuity contracts for each participant. Uplands contributed 4.25% of annual compensation on an annual basis for 2013 and 2012. In addition, each participant can elect to have additional contributions to the plan withheld from their wages.

Uplands' costs for all employee benefits for the years are summarized as follows:

	<u>2013</u>	<u>2012</u>
Included in costs of services:		
Payroll taxes	\$ 216,672	\$ 211,450
Other employee benefits	142,151	154,604
Included in administrative expenses:		
Payroll taxes	59,588	36,023
Other employee benefits	<u>93,548</u>	<u>29,001</u>
Total employee benefits	<u>\$ 511,959</u>	<u>\$ 431,078</u>

(16) FUNCTIONAL EXPENSES:

Uplands provides resident services to residents within its geographic location. Expenses related to providing these services are as follows:

	<u>2013</u>	<u>2012</u>
Resident services	\$ 5,017,140	\$ 5,045,974
General and administrative	<u>2,021,266</u>	<u>1,499,214</u>
	<u>\$ 7,038,406</u>	<u>\$ 6,545,188</u>

(17) COMMITMENTS AND CONTINGENCIES:**Professional Liability and Workers' Compensation Insurance –**

Coverage for medical malpractice insurance is provided on a claims-made basis. The primary level of coverage is \$1,000,000 each occurrence with a \$3,000,000 general aggregate limit. Coverage for workers' compensation insurance is provided on a claims-made basis. The primary level of coverage is \$1,000,000 per accident and \$1,000,000 per employee, with a \$1,000,000 policy limit.

Medicare and Medicaid –

Revenue from the Medicare and Medicaid programs account for approximately 3% and 39%, respectively, of Uplands net resident revenue for 2013. Revenue from the Medicaid program accounted for approximately 36% of Uplands net resident revenue for 2012. Laws and regulation governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

UPLANDS VILLAGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

(17) COMMITMENTS AND CONTINGENCIES (Continued):

Uncertain tax positions –

Uplands accounts for uncertain tax positions with provisions of FASB ASC 740-10 "*Accounting for Uncertainty in Income Taxes*" (FASB ASC 740-1), which provides a framework for how companies should recognize, measure, present and disclose uncertain tax positions within the financial statements. Uplands may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. Uplands does not have any uncertain tax positions as of June 30, 2013 and 2012. As June 30, 2013 and 2012, Uplands did not record any penalties or interest associated with uncertain tax positions.

Uplands Form 990's, *Return of Organization Exempt from Income Tax*, for the years 2010 and beyond remain subject to examination by the IRS, generally for three years after they were filed.

(18) FAIR VALUE MEASUREMENT:

FASB ASC 820-10, *Fair Value Measurements*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC 820-10 also specifies a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- | | |
|----------------|---|
| Level 1 | Quoted prices in active markets for identical assets or liabilities. |
| Level 2 | Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. |
| Level 3 | Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. |

Uplands uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. All investments have been valued using a market approach. All of Uplands investments have been valued using level 1 inputs. There have been no changes in valuation techniques and related inputs.

**UPLANDS VILLAGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

(19) GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) DEPARTURE:

Uplands has historically not recorded individual residences as an asset. Uplands treated the transaction as if the property was transferred to the individual residents upon the execution of the life lease agreement. During fiscal year 2012, Uplands began reviewing the life lease agreement. Uplands attorneys determined that the properties were not transferred to the individual residents upon execution of the life lease agreement, thus the assets should have been recorded on the financial statements.

GAAP requires these assets to be reported at cost less applicable accumulated depreciation. Uplands is still in the process of determining how this GAAP departure will effect the financial statements, thus the effect still cannot be determined at June 30, 2013.

(20) RECLASSIFICATIONS:

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

(21) SUBSEQUENT EVENTS:

Uplands noted no transactions that would provide evidence about material conditions that did not exist at the balance sheet date but arose subsequently through the date these financial statements were available to be issued, January 21, 2014.

SUPPLEMENTARY INFORMATION

100
UPLANDS VILLAGE
SCHEDULE 1 - NET RESIDENT SERVICE REVENUE
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Routine nursing care	\$ 4,268,364	\$ 3,785,759
Sunday/guest meals	50,651	42,940
Beauty shop	10,467	12,356
Rent	1,548,153	1,467,398
Property sales, net	324,060	111,542
Maintenance	41,025	23,686
Sewer service	55,230	56,785
Processing and membership fees	680,568	540,020
Home health care	7,383	10,910
Auxiliary gifts	5,200	2,357
Miscellaneous	<u>20,566</u>	<u>16,944</u>
	<u>7,011,667</u>	<u>6,070,697</u>
Less deductions from revenue:		
Provision for uncollectibles	3,060	18,493
Contractual adjustment	<u>521,305</u>	<u>123,711</u>
	<u>524,365</u>	<u>142,204</u>
Total deductions		
TOTAL NET RESIDENT SERVICE REVENUE	<u><u>\$ 6,487,302</u></u>	<u><u>\$ 5,928,493</u></u>

101
UPLANDS VILLAGE
SCHEDULE 2 - COST OF SERVICES
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
NURSING:		
Salaries and wages	\$ 1,745,212	\$ 1,718,917
Payroll taxes	132,353	129,062
Other employee benefits	83,904	88,965
Supplies	79,308	89,272
Repairs and maintenance	-	576
Contracted services	35,965	54,013
Workshops and travel	5,475	8,084
	<u>2,082,217</u>	<u>2,088,889</u>
Total nursing		
HOME HEALTH CARE:		
Salaries and wages	184,076	192,904
Payroll taxes	13,520	14,581
Other employee benefits	11,264	11,963
Utilities	590	1,021
Supplies	3,816	11,248
Repairs and maintenance	4,116	9,284
Contracted services	2,025	3,839
Workshops and travel	1,064	2,046
Insurance	2,283	2,265
Miscellaneous	980	2,549
	<u>223,734</u>	<u>251,700</u>
Total home health care		
OUTPATIENT THERAPY:		
Supplies	3,108	-
Contracted services	103,036	-
	<u>106,144</u>	<u>-</u>
Total outpatient therapy		
DIETARY:		
Salaries and wages	559,215	565,266
Payroll taxes	42,734	43,427
Other employee benefits	30,785	33,719
Raw food	302,858	315,882
Supplies	30,334	41,191
Repairs and maintenance	8,088	4,762
Contracted services	10,932	6,285
Miscellaneous	-	45
Workshops and travel	607	2,393
Rental	-	74
	<u>985,553</u>	<u>1,013,044</u>
Total dietary		
HOUSEKEEPING:		
Salaries and wages	56,951	54,485
Payroll taxes	4,331	3,846
Other employee benefits	3,675	3,934
Supplies	26,321	38,873
Repairs and maintenance	114	-
Workshops and travel	-	775
	<u>91,392</u>	<u>101,913</u>
Total housekeeping		

	2013	2012
LAUNDRY:		
Linen purchases	746	4,576
Supplies	4,804	6,713
Repairs and maintenance	550	
Total laundry	6,100	11,289
BEAUTY SHOP:		
Supplies	95	156
Total beauty shop	95	156
PLANT OPERATIONS:		
Salaries and wages	251,503	211,593
Payroll taxes	19,340	16,681
Other employee benefits	11,752	12,457
Utilities	346,234	317,503
Supplies	37,534	42,128
Repairs and maintenance	104,448	142,143
Contracted services	47,729	141,987
Miscellaneous	17,611	51,460
Workshops and travel	16,288	6,329
Insurance	67,376	37,250
Rental	2,930	2,830
Sewer operating expense	18,307	18,263
Total plant operations	941,052	1,000,624
ACTIVITIES:		
Salaries and wages	26,703	22,753
Payroll taxes	2,060	1,810
Other employee benefits	478	1,670
Supplies	2,618	2,866
Workshops and travel	333	-
Total activities	32,192	29,099
SOCIAL SERVICE:		
Salaries and wages	31,460	26,039
Payroll taxes	2,334	2,043
Other employee benefits	293	1,896
Supplies	252	-
Workshops and travel	1,459	108
Total social service	35,798	30,086
DEPRECIATION:		
Buildings	319,610	322,395
Equipment	128,545	124,596
Sewer and pumping station	34,940	37,228
Vehicles	5,600	8,517
Land improvements	24,168	26,438
Total depreciation	512,863	519,174
TOTAL COST OF SERVICES	\$ 5,017,140	\$ 5,045,974

103
UPLANDS VILLAGE
SCHEDULE 3 - ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Salaries and wages	\$ 793,093	\$ 502,478
Payroll taxes	59,588	36,023
Other employee benefits	93,548	29,001
Stationery, printing, and supplies	36,491	25,633
Postage and freight	9,150	7,134
Telephone	24,155	17,722
Insurance	186,213	190,734
Dues and subscriptions	36,956	26,311
Legal and accounting	31,716	36,062
Advertising and promotional	76,807	28,751
Contracted services	100,169	2,031
Other administrative expenses	98,957	80,934
Taxes and license fees	172,163	161,974
Computer programming and support	<u>21,740</u>	<u>33,994</u>
TOTAL ADMINISTRATIVE EXPENSES	<u>\$ 1,740,746</u>	<u>\$ 1,178,782</u>



Attachment C. Economic Feasibility. 11.b

Building Survey/Evaluation
Uplands Village
Old Wharton Nursing Home
Pleasant Hill, TN

Construction Cost Comparison

The following construction cost analysis is meant to assist the Committee with discussions regarding the reuse or replacement of the existing facility to meet the needs of the proposed new rehabilitation facility for Uplands Village. A very rough space needs program was provided by Mr. Woodard to assist UDG in this study as well as a diagrammatic look at potential use of the existing space. The costs are very much estimates and are very conservative in nature.

Renovation

- Hazardous Materials Abatement	\$	52,000.00
- Renovation – 41,808 sf x \$90/sf		3,762,720.00
- Soft Costs (A/E fees, review fees, etc.)		<u>300,000.00</u>
Subtotal	\$	4,114,720.00

New Construction

- Hazardous Materials Abatement	\$	52,000.00
- Demolition (assume reuse of existing site)		95,000.00
- Site Work (assume reuse of existing site)		200,000.00
- Construction – 41,000 sf x \$140.00/sf		5,740,000.00
- Soft Costs (A/E fees, review fees, etc.)		<u>400,000.00</u>
Subtotal	\$	6,587,000.00

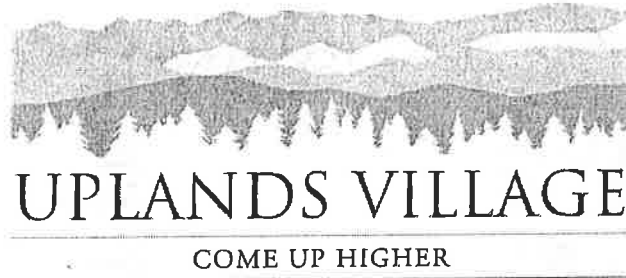
Notes:

1. These costs are very preliminary in nature and are subject to change based on a final design (i.e. amount of space renovation, HVAC system type, finishes...), the construction market, etc. but should be valid for comparison.
2. There is also potential that in a new design the size of the building could vary based upon actual programmatic needs. It is possible that the program could be larger or smaller than the 41,000 sf found in the existing building.
3. The Committee has expressed an interest and commitment in adhering to the Eden Alternative for the community at Uplands Village. Use of the existing building will most likely force some compromise in maximizing the design goals of the Eden Alternative. A new facility would be more conducive to meeting these goals.
4. As with any renovation of an old building it should be noted that once the renovation is complete it is still an old building. While all of the systems, finishes, etc. are new the main structural components of building are still old. The old building will still likely need more maintenance than a new facility.
5. A new facility would allow better overall energy efficiency as it would be built with a better building thermal envelope. Insulation can and would be added in the renovation work but it would be less than found in a new building. Therefore, energy costs while improved in the renovated building will have a higher square foot operating cost than a new facility.

Attachment C

General Criteria

Contribution to the Orderly Delivery of Health Care



	<u>Pages</u>
Attachment C, General Criteria	
<u>Contribution to the Orderly Development of Health Care</u>	
C.2, Eden Alternative [®] Documentation	A.63
C.7.c, Current Facility License	A.66
C.7.c.2, Nursing Home Compare Results	A.67
C.7.d, Most Recent Inspection/Plan of Correction	A.70

We are pleased to present this

Certificate of Recognition

hereby acknowledging

Uplands Retirement Village

as

continuing your Eden Alternative[®] journey by
renewing your status as a Registered Eden Home




William H. Thomas, M.D., President


Judith Meyers-Thomas, Vice President

Awarded May 1, 2012

Mission:

To improve the well-being of Elders and those who care for them by transforming the communities in which they live and work.

Vision:

To eliminate loneliness, helplessness, and boredom.

Values:

The Eden Alternative Ten Principles

Our 10 Principles

1. *The three plagues of loneliness, helplessness, and boredom account for the bulk of suffering among our Elders.*
2. *An Elder-centered community commits to creating a human habitat where life revolves around close and continuing contact with plants, animals, and children. It is these relationships that provide the young and old alike with a pathway to a life worth living.*
3. *Loving companionship is the antidote to loneliness. Elders deserve easy access to human and animal companionship.*
4. *An Elder-centered community creates opportunity to give as well as receive care. This is the antidote to helplessness.*
5. *An Elder-centered community imbues daily life with variety and spontaneity by creating an environment in which unexpected and unpredictable interactions and happenings can take place. This is the antidote to boredom.*
6. *Meaningless activity corrodes the human spirit. The opportunity to do things that we find meaningful is essential to human health.*
7. *Medical treatment should be the servant of genuine human caring, never its master.*
8. *An Elder-centered community honors its Elders by de-emphasizing top-down bureaucratic authority, seeking instead to place the maximum possible decision-making authority into the hands of the Elders or into the hands of those closest to them.*
9. *Creating an Elder-centered community is a never-ending process. Human growth must never be separated from human life.*
10. *Wise leadership is the lifeblood of any struggle against the three plagues. For it, there can be no substitute.*

Board for Licensing Health Care Facilities



State of

Tennessee

License No. 0000000028

No. Beds 0062

DEPARTMENT OF HEALTH

This is to certify, that a license is hereby granted by the State Department of Health to

UPLANDS RETIREMENT VILLAGE to conduct

and maintain a Nursing Home WHARTON NURSING HOME

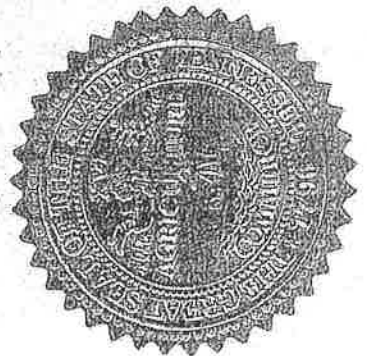
Located at 878-880 W. MAIN STREET, PLEASANT HILL

County of CUMBERLAND, Tennessee.

This license shall expire JULY 20, 2014 *and is subject to the provisions of Chapter 11, Tennessee Code Annotated. This license shall not be assignable or transferable, and shall be subject to revocation at any time by the State Department of Health, for failure to comply with the laws of the State of Tennessee or the rules and regulations of the State Department of Health issued thereunder.*

In Witness Whereof, we have hereunto set our hand and seal of the State

this 20TH day of JULY, 2013.



By *Vincenzo J. Darian, MPH*
DIRECTOR, DIVISION OF HEALTH CARE FACILITIES

By *[Signature]*
COMMISSIONER

Medicare.gov | Nursing Home Compare

The Official U.S. Government Site for Medicare

Nursing Home Results

9 nursing homes within 25 miles from the center of 38578.

Choose up to three nursing homes to compare. So far you have selected:

Viewing 1 - 9 of 9

<u>Nursing Home Information</u>	<u>Overall Rating</u>	<u>Health Inspections</u>	<u>Staffing</u>	<u>Quality Measures</u>	<u>Distance</u>
---------------------------------	-----------------------	---------------------------	-----------------	-------------------------	-----------------

**WHARTON
NURSING HOME**

55 WEST LAKE ROAD
PLEASANT HILL, TN
38578
(931) 277-3511

★★★★★
Much
Above
Average

★★★★★
Average

★★★★★
Above
Average

★★★★★
Much
Above
Average

**0.2
Miles**

[Add to My Favorites](#)

**LIFE CARE
CENTER OF
CROSSVILLE**

80 JUSTICE ST
CROSSVILLE, TN 38555
(931) 484-4782

★★★★★
Below
Average

★★★★★
Below
Average

★★★★★
Much
Below
Average

★★★★★
Much
Above
Average

**11.8
Miles**

[Add to My Favorites](#)

Attachment C. Contribution to the Olderly Development of Health Care. 7.c.2

Page 2 of 3

<u>Nursing Home Information</u>	<u>Overall Rating</u>	<u>Health Inspections</u>	<u>Staffing</u>	<u>Quality Measures</u>	<u>Distance</u>
<u>NHC HEALTHCARE, SPARTA</u> 34 GRACEY ST SPARTA, TN 38583 (931) 836-2211 Add to My Favorites	★★★★★ Average	★★★★★ Below Average	★★★★★ Above Average	★★★★★ Average	12.5 Miles
<u>WYNDRIDGE HEALTH AND REHAB CTR</u> 456 WAYNE AVENUE CROSSVILLE, TN 38555 (931) 484-6129 Add to My Favorites	★★★★★ Much Above Average	★★★★★ Above Average	★★★★★ Much Above Average	★★★★★ Average	12.6 Miles
<u>STANDING STONE CARE AND REHAB</u> 410 W CRAWFORD AVENUE MONTEREY, TN 38574 (931) 839-2244 Add to My Favorites	★★★★★ Below Average	★★★★★ Average	★★★★★ Much Below Average	★★★★★ Above Average	15.6 Miles
<u>LIFE CARE CENTER OF SPARTA</u> 508 MOSE DRIVE SPARTA, TN 38583 (931) 738-9430 Add to My Favorites	★★★★★ Above Average	★★★★★ Average	★★★★★ Above Average	★★★★★ Above Average	20.4 Miles

Attachment C. Contribution to the Olderly Development of Health Care. 7.c.2

Page 3 of 3

<u>Nursing Home Information</u>	<u>Overall Rating</u>	<u>Health Inspections</u>	<u>Staffing</u>	<u>Quality Measures</u>	<u>Distance</u>
<u>GOOD SAMARITAN SOCIETY - FAIRFIELD GLADE</u> 100 SAMARITAN WAY CROSSVILLE, TN 38558 (931) 456-1576 Add to My Favorites	★★★★★ Above Average	★★★★★ Above Average	★★★★★ Average	★★★★★ Above Average	21.9 Miles
<u>BETHESDA HEALTH CARE CENTER</u> 444 ONE ELEVEN PLACE COOKEVILLE, TN 38501 (931) 525-6655 Add to My Favorites	★★★★★ Average	★★★★★ Average	★★★★★ Average	★★★★★ Average	24.2 Miles
<u>KINDRED NURSING AND REHABILITATION- MASTERS</u> 278 DRY VALLEY RD ALGOOD, TN 38501 (931) 537-6524 Add to My Favorites	★★★★★ Much Above Average	★★★★★ Above Average	★★★★★ Below Average	★★★★★ Much Above Average	24.8 Miles

Viewing 1 - 9 of 9

Choose up to three nursing homes to compare. So far you have selected:

Modify Your Results

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER / SUPPLIER / CLIA IDENTIFICATION NUMBER 445510	(X2) MULTIPLE CONSTRUCTION A. BUILDING _____ B. WING _____	(X3) DATE SURVEY COMPLETED 08/14/2013
NAME OF PROVIDER OF SUPPLIER WHARTON NURSING HOME		STREET ADDRESS, CITY, STATE, ZIP 55 WEST LAKE ROAD PLEASANT HILL, TN 38578	
For information on the nursing home's plan to correct this deficiency, please contact the nursing home or the state survey agency.			
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)		
F 0279	<p>Develop a complete care plan that meets all of a resident's needs, with timetables and actions that can be measured</p> <p>**NOTE- TERMS IN BRACKETS HAVE BEEN EDITED TO PROTECT CONFIDENTIALITY**</p> <p>Based on medical record review and interview, the facility failed to develop a comprehensive care plan for two residents (#55, #13) of twenty-four sampled residents. The findings included: Resident #55 was admitted to the facility on [DATE], with [DIAGNOSES REDACTED]. Medical record review of the Nurse's Notes dated February 18, 2013, revealed the resident .wandered, worried about dogs and family, resistive to care at times.becomes anxious when staff tries to assist with changing clothes. Medical record review of a Nurse's Note dated March 6, 2013, revealed the resident . attempted to be physically abusive to staff when assisting with transfer. Patient (Pt.) pulled fist back to punch staff. Pt. also called staff inappropriate names. Medical record review of a Nurse's Note dated March 17, 2013, revealed the resident .was verbally abusive, cursing aloud and told staff.would smack them in the face. Medical record review of the resident's Care Plan dated February 19, 2013, and updated March 21, 2013, revealed the care plan did not address the resident's behaviors. Interview with the Minimum Data Set (MDS) Coordinator on August 14, 2013, at 9:30 p.m., in the MDS Coordinator's office, confirmed the facility failed to develop a Comprehensive Care Plan to address the resident's behaviors.</p> <p>Resident #13 was admitted to the facility on [DATE], with [DIAGNOSES REDACTED]. Medical record review of a physician's orders [REDACTED]. Medical record review of a Hospice Nursing Note dated July 1, 2013, revealed the resident was admitted to Hospice services. Medical record review of the resident's current Comprehensive Care Plan dated June 7, 2013, revealed Hospice services was not addressed on the care plan. Interview with the Minimum Data Set (MDS) Coordinator on August 13, 2013, at 4:15 p.m., in the MDS office, confirmed the facility failed to develop a Comprehensive Care Plan for Hospice services.</p>		
F 0325	<p>Make sure that each resident gets a nutritional and well balanced diet, unless it is not possible to do so.</p> <p>**NOTE- TERMS IN BRACKETS HAVE BEEN EDITED TO PROTECT CONFIDENTIALITY**</p> <p>Based on medical record review, facility policy review, observation and interview, the facility failed to address the significant weight loss for one resident (#12), of twenty-four residents reviewed. The findings included: Resident #12 was admitted to the facility on [DATE], was discharged to the hospital on June 24, 2013, and readmitted to the facility on [DATE], with [DIAGNOSES REDACTED]. Failure to Thrive was added on May 9, 2013. Medical record review of the facility form entitled Monthly Weights revealed the following weights in pounds (#): May 31, 2013, weight was 145.2#; July 1, 2013, notation of the name of the hospital; July 12, 2013, weight was 135.6#; a significant weight loss of 9.6# or 6.6 percent (%) in thirty days, and July 19, and 26, 2013, weights were 135# and 134.4#, stabilized weight. Review of the Dietary Progress Note dated July 10, 2013, written by the Registered Dietitian (RD) revealed .significant change r/t (related to) UTI (Urinary Tract Infection) and DM (Diabetes Mellitus).weight: no current weight d/t (due to) recent hospitalization .appetite 0-50 % by mouth x (for) 4 days.Recommendation: NSA (No Sugar Added) (brand name) supplement TID (three times daily) d/t poor (intake). Review of the care plan dated June 11, 2013, revealed the problem .at risk for Alteration in nutrition.Goal: .will have stable weight.Approaches: provide food supplement.provide extra snacks. Further review revealed the significant weight loss was not addressed. Review of the facility policy entitled Resident Weight Policy updated March 22, 2013, revealed .All residents of (facility) will be weighed upon admission/or within 24 hours of admission by the nursing staff which will subsequently be recorded in (named computer program).All weights there after are done either monthly or per physician orders. Observation on August 14, 2013, at 8:00 a.m., revealed the resident in the resident's room, in bed, self-feeding breakfast. Further observation revealed the resident had consumed 100% of three six-ounce beverages, 100% of the fried egg, 100% of the banana, 25% of the toast, bites of the ground sausage, and 0% of the applesauce. Interview on August 14, 2013, at 9:45 a.m., at the 300 nursing station, with Licensed Practical Nurse #2, confirmed the RD documentation for the recommendation of the NSA supplement. Further interview confirmed a physician order would be required for the supplement and there was no physician order for [REDACTED]. Interview on August 14, 2013, at 10:00 a.m., in the conference room, with the Minimum Data Set Coordinator, confirmed the RD recommendation for the supplement. Further interview revealed the RD recommendation was to have been addressed in the Interdisciplinary Team meeting held weekly and any recommendation would be communicated to the physician for consideration. Further interview confirmed there was no physician order for [REDACTED].</p>		
F 0371	<p>Store, cook, and serve food in a safe and clean way</p> <p>Based on observation, interview, and review of facility policies, the facility failed to follow proper food storage and failed to maintain dietary equipment in a sanitary manner, in four of four kitchens. The findings included: Observation of the 100 kitchen in building A on August 12, 2013, at 7:20 p.m., revealed an undated plastic container of refrigerated peaches. Further observation revealed a cottage cheese and peach salad and a bowl of cream of broccoli soup stored in a cold oven. Interview with Certified Nursing Assistant (CNA) #3, on August 12, 2013, at 7:25 p.m., in the 100 kitchen, confirmed the container of peaches was undated and food was stored in the cold oven. Observation of the 200 kitchen in building A on August 12, 2013, at 7:35 p.m., revealed an undated plastic container of refrigerated pudding and an expired loaf of rye bread. Interview with CNA #1, on August 12, 2013, at 7:40 p.m., in the 200 kitchen, confirmed the container of pudding was undated and the loaf of bread was expired and needed to be discarded. Observation of the 300 kitchen in building B on August 12, 2013, at 7:45 p.m., revealed an undated and unlabeled plastic container of refrigerated cake, an undated plastic wrapped refrigerated carrot cake, one bagel with no expiration date, an opened loaf of undated white bread, and one and a half opened wrappers of crackers with an open date May 20, 2013. Interview with CNA #2, on August 12, 2013, at 7:55 p.m., in the 300 kitchen, confirmed the cakes were unlabeled and undated; and the bagel, bread, and the opened crackers did not have known expiration dates. Observation of the 400 kitchen in building B on August 12, 2013, at 8:00 p.m., revealed a pint of wrapped refrigerated mushrooms belonging to a resident brought in on August 7, 2013, with no expiration date; a half-cut banana sitting on the counter unwrapped; and a bowl of cold cream of broccoli soup under a cold steam table. Interview with CNA #4, on August 12, 2013, at 8:05 p.m., in the 400 kitchen, confirmed the mushrooms had no expiration date, the half-cut banana on the counter was not wrapped or dated, and the cold soup was stored under the steam table. Observation of the 100 kitchen in building A on August 13, 2013, at 7:40 a.m., revealed scrambled eggs on a cold warmer tray. Further observation revealed CNA #5 obtained 114.2 degrees Fahrenheit (F) for the scrambled eggs. Interview</p>		

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER
REPRESENTATIVE'S SIGNATURE

TITLE

(X6) DATE

Any deficiency statement ending with an asterisk (*) denotes a deficiency which the institution may be excused from correcting providing it is determined that other safeguards provide sufficient protection to the patients. (See instructions.) Except for nursing homes, the findings stated above are disclosable 90 days following the date of survey whether or not a plan of correction is provided. For nursing homes, the above findings and plans of correction are disclosable 14 days following the date these documents are made available to the facility. If deficiencies are cited, an approved plan of correction is requisite to continued program participation.

FORM CMS-2567(02-99)
Previous Versions Obsolete

Event ID: YL1O11

Facility ID: 445510

If continuation sheet
Page 1 of 2

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER / SUPPLIER / CLIA IDENTIFICATION NUMBER 445510	(X2) MULTIPLE CONSTRUCTION A. BUILDING _____ B. WING _____	(X3) DATE SURVEY COMPLETED 08/14/2013
NAME OF PROVIDER OF SUPPLIER WHARTON NURSING HOME		STREET ADDRESS, CITY, STATE, ZIP 55 WEST LAKE ROAD PLEASANT HILL, TN 38578	
For information on the nursing home's plan to correct this deficiency, please contact the nursing home or the state survey agency.			
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)		
F 0371	<p>(continued... from page 1)</p> <p>with CNA #5 in the 100 kitchen on August 13, 2013, at 7:45 a.m., confirmed the scrambled eggs were not held at the correct temperature (at or greater than 135 degrees F) and needed to be discarded. Observation of the central kitchen in building A on August 13, 2013, at 8:25 a.m., revealed two number ten (#10) cans of peach pie filling with dented rims; a refrigerated plastic container labeled peach pie filling dated July 31; debris on the condenser unit fan grate of the walk-in refrigerator; ice build-up in the interior of the chest freezer; a bag of frozen diced chicken closed with a wooden clothes pin; and a broken thermometer in the three-door reach-in freezer. Continued observation revealed dried splattered debris on the tabletop stand-up mixer, dried splattered debris on the stationary mixer, and dried debris on the lid of the flour bin. Interview with the Dietary Manager in the building A central kitchen on August 13, 2013, at 8:35 a.m., confirmed the two cans of peach pie filling were dented and needed to be removed from stock; the peach pie filling was expired and needed to be discarded; the condenser unit fan grate had debris build-up and needed to be cleaned; the chest freezer had ice build-up; wooden clothes pins were not to be used to secure the bag of chicken; the freezer thermometer was broken and needed to be replaced; and the mixers and lid of the flour bin needed to be cleaned. Observation of the central kitchen in building B on August 13, 2013, at 10:05 a.m., revealed one #10 dented can of vanilla pudding, one #10 dented can of beets, two #10 dented cans of sauerkraut, and a plastic container of refrigerated tomato sauce with the expiration date labeled August, 7. Continued observation revealed water and debris in the blender, and debris in the bowl and on the sides of the stand-up mixer. Interview with the Dietary Manager in the building B central kitchen on August 13, 2013, at 10:25 a.m., confirmed the dented cans of pudding, beets and sauerkraut needed to be removed from stock; the expired tomato sauce needed to be discarded, and the blender and the stand-up mixer needed cleaning. Observation of the central kitchen in building B on August 13, 2013, at 11:35 a.m., revealed the Dietary Manager washed the hands and opened the trash can lid with the hands twice, without rewashing the hands, and then proceeded to obtain food temperatures. Continued observation revealed the Dietary Manager obtained food temperatures for lasagna, sugar snap peas, and cauliflower, and cleaned the thermometer with dry paper towels between each food. Interview with the Dietary Manager in the central kitchen in building B on August 13, 2013, at 11:50 a.m., confirmed hand hygiene had not been performed correctly after touching the garbage can lid and before obtaining food temperatures; and the thermometer was to be sanitized with alcohol wipes between food temperatures. Review of the facility policies and procedures, Food Brought to Residents from the Outside, revised November, 2011, and Storing Leftover Food, dated 2005 revealed, the food must be stored in a container clearly labeled with the resident's name and room number, the date the food was brought to the resident and also the use-by-date per regulation. Leftover food will stored for up to three days with the day of preparation being day one. Interview with the Dietary Manager in the central kitchen in building B on August 13, 2013, at 11:58 a.m., confirmed the facility failed to follow the facility's policies for storage of leftovers and residents' personal food.</p>		



STATE OF TENNESSEE
DEPARTMENT OF HEALTH
OFFICE OF HEALTH LICENSURE AND REGULATION
EAST TENNESSEE REGION
5904 LYONS VIEW PIKE, BLDG. 1
KNOXVILLE, TENNESSEE 37919

November 21, 2013

Mr. Richard Woodard, Administrator
Wharton Nursing Home
878-880 W. Main Street
P.O. Box 447
Pleasant Hill TN 38578

Re: 44-5510

Dear Mr. Woodard:

The East Tennessee Regional Office of Health Care Facilities conducted a Health and Life Safety recertification survey on August 12 - 14, 2013. An on-site revisit and review of the facilities plan of correction for the deficiencies cited as a result of the survey was conducted on October 7 and November 13, 2013. Based on the on-site revisit and review, we are accepting your plan of correction and your facility is in compliance with all participation requirements as of October 22, 2013.

If you have any questions concerning this letter, please contact our office at (865) 588-5656.

Sincerely,

Karen B. Kirby

Karen B. Kirby, R.N.
Regional Administrator
ETRO Health Care Facilities

KK:af

Department of Health & Human Services
Centers for Medicare & Medicaid Services
61 Forsyth Street, SW, Suite 4T20
Atlanta, Georgia 30303-8909



Refer to: 44-5510.amended.com12.10.13

IMPORTANT NOTICE - PLEASE READ CAREFULLY
(Receipt of this notice is presumed to be December 10, 2013 – date notice e-mailed)
Amended Notice to letter dated November 25, 2013

December 10, 2013

Mr. Richard Woodard, Administrator
Wharton Nursing Home
878-880 W. Main Street
P.O.Box 447
Pleasant Hill, Tennessee 38578

Re: Compliance notice
CMS Certification Number: 44-5510

Dear Mr. Woodard:

As a result of the revisit survey conducted on November 13, 2013, by the East Tennessee Regional Office of Health Care Facilities, it has been determined that Wharton Nursing Home is in substantial compliance with the Medicare requirements for participation for Skilled Nursing Facilities* effective October 4, 2013*.

In our letter dated September 24, 2013, we imposed the following enforcement remedies: *Denial of Payment for New Admissions (DPNA)* and termination of Medicare participation. These remedies did not go into effect because we determined that your facility achieved substantial compliance before the remedies' effective dates. In other words, your Medicare provider agreement remains in effect.

If our previous letter(s) imposed a Civil Money Penalty (CMP) on your facility, the CMP will be collected in accordance with regulations at 42 CFR 488.442.

Accordingly, your agreement for participation as a provider of services under the Health Insurance for the Aged and Disabled Program (Title XVIII of the Social Security Act) is continued.

If you have any questions regarding this matter, please contact Bessie Barnes at 404-562-7442.

Sincerely,

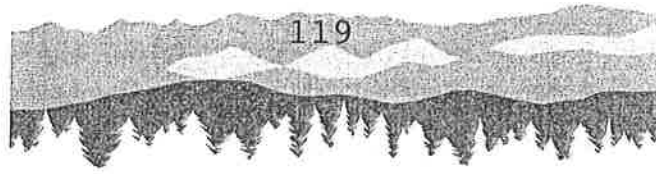
/s/

Sandra M. Pace
Associate Regional Administrator
Division of Survey & Certification

cc: State Agency
State Medicaid Agency
Medicare Administrator Contractor
Stephanie Davis, Chief LTCCEB
Jill Jones, LTC S&C

SUPPLEMENTAL

#1



UPLANDS VILLAGE

COME UP HIGHER

SUPPLEMENTAL- # 1

March 21, 2014

10:55am

MAR 21 '14 10:51

March 20, 2014

Jeff Grimm, HSDA Examiner
State of Tennessee
Health Services & Development Agency
Andrew Jackson Building, Ninth Floor
502 Deaderick Street
Nashville, TN 37243

RE: Certificate of Need Application CN1403-006
Wharton Nursing Home

Dear Mr. Grimm:

Attached are our responses to your letter dated March 14, 2014 requesting clarification or additional discussion from your review of our CON application, CN1403-006.

Please contact me at (931) 277-3518 or by email at agriffin@uplandsvillage.com if you need further information.

Sincerely,

Al Griffin
Director of Financial Services

1. Section A, Applicant Profile, Item 6

The applicant's ownership of the site is noted. Please include a copy of the title or deed to the property as an attachment to the application to document the applicant's legal interest in the site.

Please see attached copy of deed on Page S.2.

2. Section B, Project Description, Item 1

The description of the project is noted. To complement the information provided, please provide a response to the following:

What will be the relationship between the memory care assisted living center and the non-skilled/level 1 and skilled/level 2 services in terms of the Eden Alternative implemented by the applicant for Wharton Nursing Home as approved in CN0610-083A? Please include impact to direct patient care and ancillary services, facility maintenance and life safety services and dietary services.

Note to applicant: Please use the term Nursing Facility (NF), Level 1 or Level 2 when referring to ICF or SNF care in the application in recognition of TennCare's reimbursement to nursing homes for two (2) distinct levels of care provided to Medicaid eligible recipients, Level 1 and Level 2. Level 1 reimbursement is for non-skilled care while Level 2 is for skilled services requiring nursing care and/or rehabilitation therapies. In 2012, TennCare further refined its Level of Care criteria with a weighted scale that measures acuity in several areas: functional areas such as activities of daily living, clinical needs such as the need for skilled nursing or rehabilitation services, and other factors that help determine whether an individual can live safely and independently.

The proposed addition of a memory care assisted living center will be a future addition to the continuum care of Uplands Village's CCRC. The location for this new program will be located in a household that is distinct and separated from the non-skilled/level 1 and skilled/level 2 service areas. The space designated for the memory assisted living is designed to meet all the physical requirements for the Eden Alternative household model of services. Uplands Village will begin the assisted living licensing process in early 2015 for this additional program. The location will provide superior, secure space for meeting the needs of elders who do not need the extensive care of a nursing home but who have received an irreversible dementia diagnosis and need a secure environment for receiving direct care, ancillary services, dietary requirements, etc. The building will be safely maintained by a professional on-site staff and will meet all life safety codes as defined by Tennessee's assisted living regulations.

Has the applicant considered using the proposed site for operation of the new memory care assisted living unit in lieu of relocating 31 of its 62 NF Level1/Level 2 beds in its replacement nursing home approved in CN0610-083A? If so, what would be the impact to this project of just operating a 31 bed memory care assisted living center in the proposed site? If not, please identify and describe the reasons that this option was not considered.

Uplands Village did consider using the renovated building site for the memory support assisted living but quickly determined the current location of the 31 NF level 1 and level 2 beds to be moved is far superior for implementing the Eden Alternative principles because of its physical design, i.e. it was created and built specifically for implementing the Eden Alternative care. The location for the 31 NF level 1 and level 2 is designed in a more traditional three hallway configuration with ample space for a full therapy gym, resident dining room and kitchen that affords an environment more conducive for NF level 1 and especially NF level 2 care. The environment would place an extra burden on memory support assisted living staff and residents with "sundowners" because it would make it more difficult for staff to be able to maintain visual contact for safety and cuing.

Will individuals who reside at Uplands Village be given priority status over a private pay non-resident in admissions to the 62-bed licensed bed Wharton Nursing Home? If so, how is this factor likely to impact the plans for the short stay NF beds for skilled, Level 2 services identified by the applicant in this and other related sections of the application?

Uplands Village residents/members who reside on the campus do have a contractual agreement that provides them priority status over a private pay non-resident. This is a practice that has been in effect since the 1980's. However, currently and historically Uplands Village residents/members have occupied approximate 22 or 34% of the available NF level 1 and level 2 beds. Uplands Village has and continues to fulfill its mission to the larger Cumberland Plateau areas senior adults who need either NF level 1 or level 2 care, services and amenities. Thus, since the number of NF level 1 and level 2 beds will remain at 62 the current and historical trends of having 65% of these beds available for private pay non-resident admissions will remain a majority component of Wharton Nursing Home admissions.

3. Section B, Project Description, Item II A and B

Please revise the Square Footage Chart to include the existing Square footage by location. In addition, please identify all key units/department in the chart such as dining, patient care rooms, wellness, kitchen, etc. similar to what the applicant documented in CN0610-083A such that the space designated for both the existing and proposed locations can be clearly understood.

Please see revised Square Footage Chart on Page S.6.

What is the square footage per bed in the current facility and what will be the square footage per bed in the proposed renovated facility as compared with state standards?

The new facility will have 31 private beds. Each room in the proposed renovated facility will vary from 281 square feet to 311 square feet per bed including self-contained baths and closets.

The Guidelines for Health Care Facilities have for a one person bed to be 140 Square feet (2.6-2.2.2.2). That is just the room itself and not the bathroom and closet. Our smallest bedroom (not counting the toilet and closet) is approximately 166 square feet. One of the larger ones is 233 square feet. The reason there is such difference is

that there is a load bearing wall we don't want to move and it either constricts the room or allows a larger room depending on what side of the corridor you are on.

The guidelines have a minimum requirement for patient storage (i.e. our closet). That requirement is 1'-10" x 1'-8" (section 2.6.2.2.2.3). Our closets are around 2'-6" x 2'-7".

The bathrooms do not have a set size because their requirements for handicap accessibility will guide it (section 2.6-2.2.2.6) so by the nature of the accessibility code, they will have a lot of extra space for turning radii.

Total square footage per bed in the existing building is approximately 659 sq ft/bed. Total square footage per bed in the building to be renovated is approximately 1,368 sq ft/bed. However, the square footage per bed of just the upper level of the renovated building, which is where the 31 licensed will be located, is approximately 804 sq ft/bed.

Where will the NF Level 1 and Level 2 patients residing in the 880-887 Wharton Nursing Home building go for rehabilitation and therapy services?

Both 878 and 880 Wharton Nursing Home buildings have therapy gyms located within the buildings. They will continue to receive therapies in the building they reside.

Will there be any services in the 880-887 nursing home building or on the first floor of the renovated 55 W. Lake building that second floor nursing home residents will have to be transported?

No. Each building is self-sufficient for providing services to their respective residents. All resident services in the renovated 55 W. Lake building will be delivered on the second floor without the need to transport.

What is current and what will be the private vs. semi-private accommodations mix? Please complete the chart below.

	Current Rooms	Current Beds	Proposed Rooms	Proposed Beds
Semi-private Rooms	18	36	9	18
Private Rooms	26	26	53	53
Total Beds	62	62	62	62

4. Section B, Project Description, Item II.D.

In Section B. Item II. C and other parts of the proposal, the applicant states that there is a need for short stay skilled beds. In the response to this item, the applicant states that the proposed relocation of 31 of the 62 licensed beds from the current 880-887 W. Main Building to the adjacent 55 W. Lake building will create a short stay/rehab unit. Please address the factors relative to Tennessee's

Linton Ruling that must be considered in utilizing the 31 licensed beds in the manner projected throughout the application for short stay/rehab patient care. For the applicant's convenience and reference, please note the summary description of the Linton Ruling as follows:

"A legal precedent was established in the Linton Ruling, a Tennessee lawsuit settled in 1990. Mildred Lea Linton, a nursing home resident, represented a class of plaintiffs who alleged that Tennessee's nursing home bed certification policy, in which fewer than all beds within a particular wing or floor could be available for Medicaid recipients, violated the Medicaid Act. Ms. Linton's nursing home apportioned only 40 of its 87 intermediate care facility beds as Medicaid beds. When Medicaid officials reduced Ms. Linton's care eligibility from skilled to intermediate, Ms. Linton's nursing home informed her that it was decertifying her Medicaid bed and would not likely have available any Medicaid beds. The District Court found that Tennessee's "limited bed policy" violated the Medicaid Act, and the state was instructed to submit a remedial plan, which, among other provisions, required Medicaid providers to certify all available, licensed nursing home beds within their facilities and to admit residents on a first-come, first-serve basis."

Uplands Village is aware of the Linton Ruling and will operate the existing and renovated building within the strict guidelines of this ruling. All of Wharton Nursing Home's 62 beds are dual certified, are being used for Medicare rehabilitation services as well as NF level 1 and level 2 care. This operational plan will be continued after 31 of the dual certified beds are moved to the renovation space. Since the current Wharton Nursing Home operates under the Eden Alternative practices the long term nursing residents like the feeling of stability that comes with having consistent friends and neighbors who reside with them. When short-term rehabilitation residents come and go at a much higher frequency, average length of stay approximately 15 days, it is unsettling to some of the longer-term residents. While Uplands Village's practice is to return a long-term resident to their home and room in the event of a short-term shift to a NF level 2 or Medicare rehabilitation stay it is too Uplands Village's practice to attempt, when open beds are available, to locate short-term rehabilitation residents to beds that will cause minimal disruption to longer term residents. The renovated building has three distinct hallways and Uplands Village's management plan will to continue to use all 62 licensed beds for all levels of care with the goal of creating a stable living environment for all residents.

5. Section B, Project Description, Item III A (Plot Plan)

Please provide annotations to the plot plan that clearly identify the current location of the 62 NF beds in the 880-887 W. Main Street Wharton Nursing Home building approved in CN0610-083 and opened for public use on or about July 2010. Please also include this information for the 55 West Lake Road building being proposed for renovation and modification to house 31 of the 62 licensed Wharton Nursing Home beds.

Please see attached revised Plot Plan on Page S.7 showing the buildings located at 880-887 W. Main St. and the proposed building to be renovated located at 55 W. Lake Rd.

6. Section C, Need, Item 1 (a)

Tennessee Code Annotated Section 68-11-1625 requires the Tennessee Department of Health's Division of Health Planning to develop and annually update the State Health Plan. The State Health Plan guides the state in the development of health care programs and policies and in the allocation of health care resources in the state, including the Certificate of Need program. The 5 Principles for Achieving Better Health form the State Health Plan's framework and inform the Certificate of Need program and its standards and criteria.

Please discuss how the proposed project will relate to the 5 Principles for Achieving Better Health found in the State Health Plan. Each Principle is listed below with example questions to help the applicant in its thinking.

1. *The purpose of the State Health Plan is to improve the health of Tennesseans.*

a) How will this proposal protect, promote, and improve the health of Tennesseans over time?

It will increase the availability to quality skilled nursing care to the elders in the upper Cumberland region and enhance the quality of life for them by sharing with their friends & families improved health education on proper diet & exercise, smoking risks, optimal pain management, infection prevention, required immunizations, and mental health resources, therefor impacting the future healthcare of their communities.

b) What health outcomes will be impacted and how will the applicant measure improvement in health outcomes?

The health outcomes that will be impacted will include an increase in ADL function, decrease in pain, decrease in infection rates, and a decrease in hospitalizations. These outcomes will be measured by MDS data collection, on-going QA/PI process and annual health survey.

c) How does the applicant intend to act upon the available data to measure its contribution to improving health outcomes?

By implementing best practices based on outcomes and increasing collaboration with providers as needed.

2. *Every citizen should have reasonable access to health care.*

a) How will this proposal improve access to health care?

It will provide this rural demographic the access and utilization of state of the art equipment, information technology access to the entire CCRC for standardized care across the campus. The occupational therapy area will facilitate optimal transition from skilled care to home more efficiently and safely.

b) How will this proposal improve information provided to the patients and referring physicians?

It will simply the access for providers, consultants and elders creating a single point of entry. Implementation and integration of the AOD system will facilitate referral process with providers and case managers.

- c) How does the applicant work to improve health literacy among its patient population including between patients and providers?*
Provide patient and family teaching. Conduct an Annual community health fair. Monthly health lecture series. Host provider In-services.
- 3. The state's healthcare resources should be developed to address the needs of Tennesseans while encouraging competitive markets economic efficiencies, and the continued development of the state's health care system.**
- a) How will this proposal lower the cost of health care?*
By offering an efficient, conducive environment for optimal healing and recovery working to decrease re-hospitalizations through education on disease processes such as diabetes and cardiovascular disease.
- b) How will this proposal encourage economic efficiencies?*
Provide consistent and quality care to align Uplands Village with an ACO provider.
- c) What information will be made available to the community that will encourage a competitive market for health care services?*
The community will have access to our annual survey results, published annual report, the CMS five star rating, and our Eden registry status along with positive word of mouth confirmations from past consumers and elders of the community.
- 4. Every citizen should have confidence that the quality of health care is continually monitored and standards are adhered to by health care professionals.**
- a) How will this proposal help health care providers adhere to professional standards?*
The health care professionals will be able to access the EMR and extract pertinent data for reporting to committees such as QA/PI and safety for on-going professional standards to help reduce antipsychotic use, re-hospitalizations and increase the utilization of evidence based procedures.
- b) How will this proposal encourage continued improvement in the quality of care provided by the health care work force?*
It will allow for real time data to be accessed by health care professionals to provide the highest level of patient centered, safe and quality care.
- 5. The state should support the development, recruitment, and retention of a sufficient and quality health care workforce.**
- a) How will this proposal provide employment opportunities for the health care workforce?*
The proposal will offer the creation of jobs for certified nursing assistants, registered nurses, licensed practical nurses, dietary staff, therapists, maintenance workers and other allied health care workers who are trained in working in a skilled nursing environment. This proposal will serve as a historical milestone to provide on-going health care services and positive economic impact for this rural region.
- b) How will this proposal complement the existing Service Area workforce?*
It will expand the opportunities available to the current workforce, either for educational growth or career advancement. Uplands Village is dedicated to assisting those who have the ambition to continue in life-long learning, as the skill level grows, so will the opportunities for professional growth.

7. Section C, Need 1.a. (Service Specific Criteria-Construction, Renovation, Expansion, and Replacement of Health Care Institutions) (3) (a.)

Please include an overview of the applicant facility's occupancy rate during the period following start-up of the replacement 62-bed nursing home approved in CN0610-083A. In your response, please discuss how the Long-term Care Community Choices Act of 2008 has impacted nursing home utilization rates in Shelby County for years 2010, 2011, and 2012. The Long-term Care Community Choices Act of 2008 allows TennCare to pay for more community and home-based services for seniors such as household assistance, home delivered meals, personal hygiene assistance, adult day care centers and respite care services.

The Long-term Care Community Act of 2008 has impacted both Cumberland and White counties over the above three stated years with a census of higher acuity elders. As where before the 2008 Act, these elders would have remained in the hospitals or step down areas longer before coming to a nursing facility. Now, a skilled nursing facilities acuties require knowledge of TPN, PICC lines, advanced wound care and acute disease conditions all while attempting to lower average length of stays and improve quality of service outcomes.

8. Section C, Need 1.a. (Service Specific Criteria-Construction, Renovation, Expansion, and Replacement of Health Care Institutions) (3) (b.)

Given its use as the location of the applicant's prior nursing home replaced by the 880-887 W. Main Street in CN0610-083A, please expand the discussion on why the 55 W. Lake street building's physical plant condition warrants significant renovation at the amount proposed in the Project Cost Chart of the application. Please identify any major renovation or modification needs such as those needed to comply with current life safety codes for nursing homes or those required to correct structural, ventilation, moisture or other problems requiring the applicant's attention as a result of this project.

Although the building had been used to provide nursing home services until replaced by the existing nursing home in CN0610-083A, the infrastructure, i.e. plumbing, mechanical, and ventilation systems, was in dire need of significant repair or replacement due to the age of the facility. This is one reason why it was decided to build a new nursing home. The building also did not meet current codes and had been "grandfathered" until no longer in use. The structure itself, however, is sound.

The proposed project involves completely replacing all plumbing, mechanical and ventilations systems. The outside of the building will also be completely renovated to replace an old, single pane window system with energy efficient windows and to enhance and match the aesthetics of the other buildings on the campus.

9. Section C, Need, Items 3 and 4

Item 3: The service area is noted. Please document the reasonableness of the proposed service area by completing the following table to illustrate patient origin by county of residence for the most recent 3-year period and as projected for the first full year of the project (2016):

Patient Origin, Wharton Nursing Home Service Area

Patient Origin-	2011	2012	2013	Project Year 1 2016
TN PSA - Cumberland	17	27	45	345
TN PSA - White	2	3	0	60
PSA-total	19	30	45	405
Total	27	37	45	426

Item 4.A.: Using population data from the Department of Health, enrollee data from the Bureau of TennCare, and demographic information from the US Census Bureau, please complete the following table and include data for each county in your primary service area (Cumberland and White Counties).

Please see attached chart on Page S.8.

Variable	County	Tennessee
Current Year (CY), Age 65+		
Projected Year (PY), Age 65+		
Age 65+, % Change		
Age 65+, % Total (PY)		
CY, Total Population		
PY, Total Population		
Total Pop. % Change		
TennCare Enrollees		
TennCare Enrollees as a % of Total Population		
Median Age		
Median Household Income		
Population % Below Poverty Level		

10. Section C, Need, Item 4.B.

In terms of special needs that may apply to the project, the applicant states that a demand analysis prepared by Clifton, Larson and Allen in July 2013 identified the need for 14 short stay beds in Cumberland County in addition to currently operated beds. Did the consultant consider the potential impact of the Linton Ruling in the demand analysis for the short stay beds such that the applicant could account for any impact in its projected patient utilization and financial performance profiles of the project?

Yes, the consultant is aware of the Linton Ruling and considered its impact in their analysis.

11. Section C, Need, Item 5

Your response is noted. Please complete the following tables:

Please see attached charts on Pages S.9 – S.11.

Applicant's Primary Service Area Nursing Home Utilization-2012

Facility	Licensed Beds	Beds-MCARE certified	Beds-Dually Certified	Beds-Medicaid certified	Licensed Only Beds Non-Certified	MCARE ADC	Medicaid Level 2 ADC	Skilled All other Payors ADC	Non-Skilled ADC	Total ADC	Total Admits
TOTAL											

Source: Nursing Home JAR, 2012

Applicant's Primary Service Area Nursing Home Utilization Trends-2010-2012

Facility	Licensed Beds	2010 Patient Days	2011 Patient Days	2012 Patient Days	'10- '12 % change	2010 % Occupancy	2011 % Occupancy	2012 % Occupancy
TOTAL								

Source: Nursing Home JAR, 2010-2011, 2012

Nursing Home Bed Mix in Applicant's PSA - 2012 JAR

Nursing Home	Licensed Beds	Total Private Beds	Total Semi-Private Beds	Total Companion Beds	Ward Beds
PSA Totals					

12. Section C, Need, Item 6

Your response to this item is noted. As a visual aid to the description, please complete the following table for the applicant's 62-bed licensed nursing home facility

Please attached chart on Page S.12.

Wharton Nursing Home's Historical and Projected Utilization

Year	Licensed Beds	Medicare-certified beds	Medicare/Medicaid-dually certified beds	Medicare ADC	Medicaid Level 2 ADC	Skilled All other Payors ADC	Non-skilled ADC	Total ADC	Licensed % Occupancy	Total Admits
2010										
2011										
2012										
2013										
2014 (EST)										
Yr 1										
Yr 2										

13. Section C, Economic Feasibility, Item 1 (Project Cost Chart)

As noted, please change the application fee for this project to \$11,499.00 In addition, please describe why there are no financing costs in Section C of the Project Cost Chart for the USDA Rural Development loan identified in Item 2 on page 24 of the application.

Please see attached revised Project Costs Chart on Page S.13. The project is being financed by a direct loan with USDA Rural Development Agency. There are no financing costs associated with this type of financing except Uplands Village's legal fees which are included in Line A.2 costs.

The December 18, 2013 letter with cost estimates for the renovation of the 55 W. Lake Building from Upland Design Group is noted. However, please also provide documentation from a licensed construction industry professional (i.e., architect, builder, or engineer) that attests to the federal, state and local construction codes, standards, specifications, and requirements that apply to the proposed project, including the 2010 AIA Guidelines for Design and Construction of Healthcare Facilities.

Please see attached letter from Upland Design Group on Page S.14.

Please itemize line A.7, Moveable Equipment, in the amount of \$749,185.

Please see attached itemized list on Page S.15.

14. Section C, Economic Feasibility, Item 2

Per the 8/26/13 letter from the USDA representative regarding the applicant's loan of \$6.5 million for this and related project costs, please identify the standard terms of the loan such as the expected interest rate, the required minimum monthly payment and the term of the loan. In addition, please provide an addendum or supplemental letter from the USDA, as appropriate.

Please see attached USDA Loan Resolution Security Agreement and Amendment No. 1 to the Letter of Conditions dated August 16, 2013 beginning on Page S.16.

15. Section C, Economic Feasibility, Item 3

The response is noted. In the project narrative the applicant speaks of renovation to the proposed site in lieu of new construction, which the applicant notes as \$140/square foot compared to new construction costs of other similar projects recently approved by HSDA. In addition, the Cost per Square Foot Chart on page 13 reflects the cost for renovation only. The HSDA median for total construction in previously approved nursing home projects between 2009 and 2011 is \$165.00/square foot and the first quartile is \$94.55, which means 75% of all nursing home construction projects from 2009-2011 were above this cost. With major renovation only expected for the proposed construction, has the applicant understated the expected cost of this project at \$90/square foot? Please clarify.

In your response, please also use the updated 2010-2012 Cost per Square Foot Table available on the HSDA website under "Applicant's Toolbox" in comparison to the cost per square foot for the proposed project.

Please see attached Cost per Square Foot Table on Page S.22. Renovated construction per the 3rd Quartile in the chart is \$55.00/sq ft. Current estimates for the proposed project are \$90.00/sq ft. This is based on the architect's professional opinion based on the current market in Cumberland County.

16. Section C, Economic Feasibility, Item 4 (Historical Data Chart)

It appears that net operating revenue for 2013 in the Historical Data Chart accounts for approximately 65% of the \$6,487,302 of net resident revenue for Uplands Village identified in Schedule B1, page A.57, of the financial statements attached to the application. Please confirm that the amounts reflected for 2012 and 2013 in the chart pertain to the financial performance of the 62 licensed nursing home beds associated with this proposal.

Please see attached revised Historical Data Chart on Page S.23. The Net Operating Revenue for 2013 in the Historical Data Chart is \$3,701,844 and only represents the Net Operating Revenue for the 62 licensed nursing home beds. This is approximately 57% of the Net Operating Revenue reported in the audited financial statements provided in Schedule B1, page A.57. The Chart was also revised to include days, admissions, and ALOS for each level of care. ALOS is calculated by dividing resident/patient days by admissions.

17. Section C, Economic Feasibility, Item 4 (Projected Data Chart)

Please provide a Projected Data Chart that reflects the projections for the 62 licensed nursing home beds of the Wharton Nursing Home applicable to the proposed project. Please note that the chart must incorporate the applicant's projected utilization in the response for clarification of Section C, Need, Item 6, as requested in question 12 of this supplemental questionnaire. In your response, please also identify your projections for the average length of stay (ALOS) of nursing home patients by level of care for the first year of the project and compare to ALOS in 2013.

Please see revised Projected Data Chart on Page S.24. The Chart was revised to reflect the projections for the 62 licensed nursing home beds only. The Chart originally submitted also included projections for the 31 bed memory care assisted living unit which is not a part of the 62 licensed beds proposed in this CON application. The Chart was also revised to report the projected days, admissions, and ALOS for each level of care. ALOS is calculated by dividing resident/patient days by admissions.

Please explain why there are no provisions for charity care.

The services provided in the 62 bed licensed facility are primarily reimbursed by TennCare/Medicaid, Medicare, or other long term or supplemental insurance. Residents who are private pay will use their funds until depleted at which time they will become eligible for benefits from TennCare/Medicaid. Residents/patients who are unable to meet their financial obligation for the services they receive may be eligible for assistance from Uplands Village's Benevolent Care Policy. Charity care provided by the Benevolent Care Policy is funded by donated funds that are restricted by the donor for benevolent purposes. Therefore, although Uplands Village does provide benevolent care, it is not reported in the Projected Data Chart since it is funded by the donor restricted funds.

There appears to be a significant increase in capital expenditures in the first year of the project from the \$186,819 contained in the applicant's Historical Data Chart for 2013. Please describe what accounts for the increase and identify the amounts pertaining to repayment of the USDA loan for this project.

The Historical Data Chart for 2013 includes debt service that was incurred when the facility approved in CN0610-083A was approved and implemented. The capital expenditures in the attached Projected Data Chart reflect approximately half of the current debt service plus the projected debt service of approximately \$237,000 that relates to the \$5,100,000 portion of the \$6,500,000 proposed direct loan through USDA Rural Development Agency.

It appears that salaries and wages expenses are expected to increase by approximately 60% from 2013 to the first year of the project. What is the amount of the increase projected for this project that pertains to direct patient care nursing salaries and wages? In your response, please include the full time equivalent position amounts in addition to the projected amount for salaries/wages and compare to same for 2013.

The projected salaries and wages expenses have been revised in the attached Projected Data Chart to only include the expenses for the 62 licensed beds. The revised Chart projects an increase in salaries and wages expense of approximately

23%. The increase not only reflects an estimated 3% increase per year but also reflects an increase due to health insurance costs of approximately \$165,000 that are not currently provided to employees. Please also see the attachment comparing 2013 FTE's with projected FTE's on Page S.25.

18. Section C, Economic Feasibility, Item 6.B.

The comparison of the applicant's proposed charges to other nursing homes in the service area is noted. Please also provide a comparison of Wharton Nursing Home's Medicare/Skilled charge per day to the current allowable Medicare charges for nursing homes.

Medicare reimbursement for skilled nursing services varies based on the Resource Utilization Group (RUG). The RUG is based on the resources provided for the care of the resident. Please see attached RUG Reimbursement Chart on Page S.26.

19. Section C. Contribution to the Orderly of Health Care, Item. C.3.

Please provide the projected total staffing pattern of the nursing home for all employees providing direct patient care services for the first year after project completion.

Please see attached Daily Staff Posting chart on Page S.27.

20. Project Completion Forecast Chart

The Project Completion Forecast Chart is noted. As noted in the chart, the earliest date this project can be reviewed by the Agency is June 2014. In light of same, please explain the rationale for expecting to have a construction contract signed prior to that date. In addition, please also explain the rationale for not obtaining a building permit for the project.

Please see revised Project Completion Forecast Chart on Page S.28.

21. Filing Fee

It appears that the applicant's fee paid by check is higher than the \$11,449 amount required for this project for an overpayment of \$26.00. Following processing of the application, a representative of HSDA will be in touch with you in the very near future to correct the discrepancy.

Noted...thank you...

List of Attachments

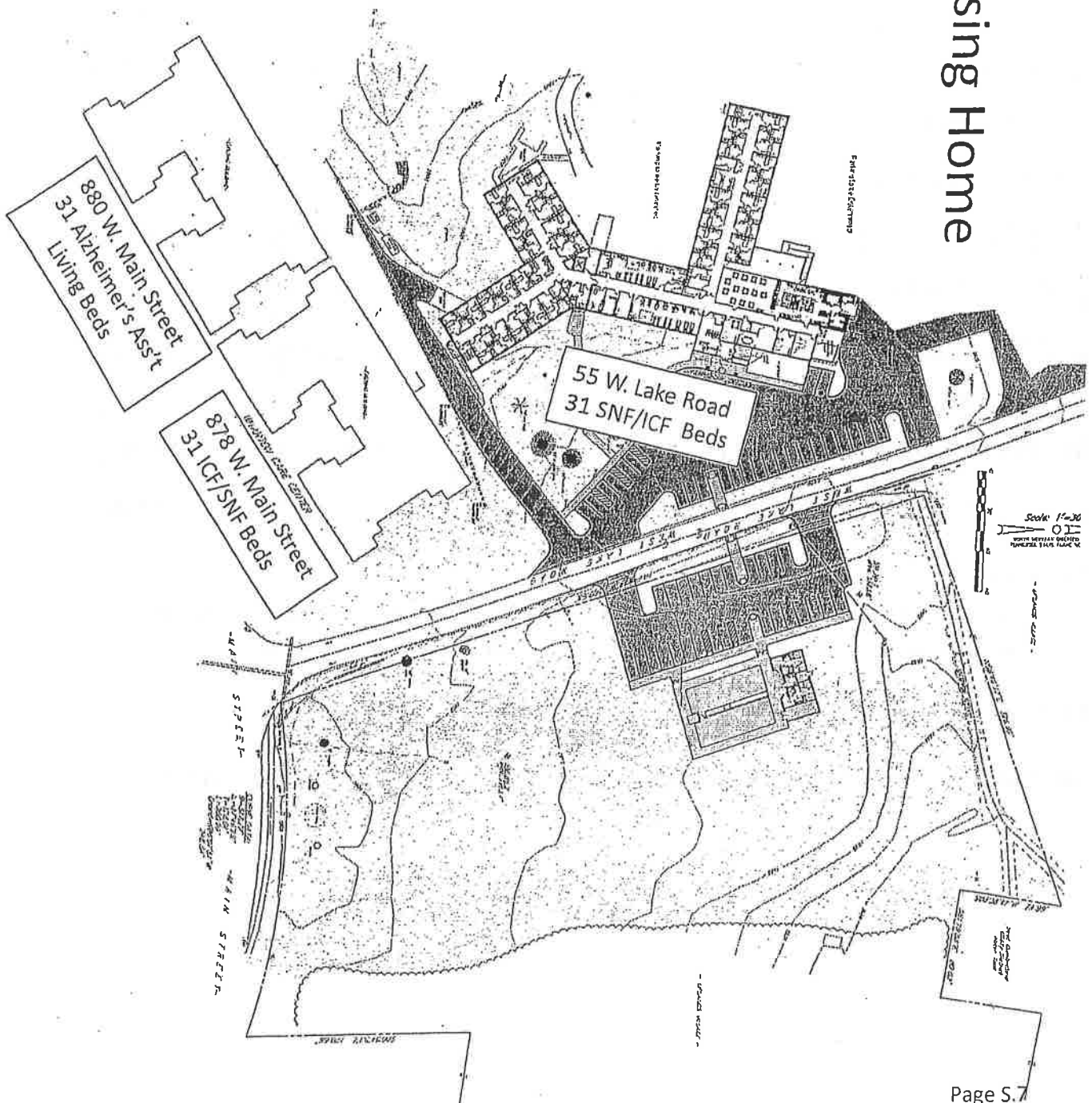
	<u>Pages</u>
1. Section A, Applicant Profile, Item 6 – Copy of Deed	S.2
3. Section B, Project Description, Item 1 – Square Footage Chart	S.6
5. Section B, Project Description, Item III – Plot Plan	S.7
9. Section C, Need, Item 4.A – Population Demographic Chart	S.8
11. Section C, Need, Item 5 – Utilization Charts.....	S.9
12. Section C, Need, Item 6 – Wharton Nursing Home Utilization Chart..	S.12
13. Section C, Economic Feasibility, Item 1	
a. Project Costs Chart	S.13
b. Letter from Upland Design Group	S.14
c. Moveable Equipment List	S.15
14. Section C, Economic Feasibility, Item 2 – USDA Documents	S.16
15. Section C, Economic Feasibility, Item 3 – Cost per Square Foot Table.	S.22
16. Section C, Economic Feasibility, Item 4 – Historical Chart Data	S.23
17. Section C, Economic Feasibility, Item 4	
a. Projected Chart Data	S.24
b. FTE Comparison	S.25
18. Section C, Economic Feasibility, Item 6.B – RUG Reimbursement	S.26
19. Section C, Contribution to the Orderly of Health Care, Item C.3 –	
Daily Staff Posting Chart	S.27
20. Project Completion Forecast Chart	S.28

Square Footage and Cost per Square Footage Chart

A. Unit/Department	Existing Location	Existing SF	Temporary Location	Proposed Final Location	Proposed Final Square Footage			Proposed Final Cost/SF		
					Renovated	New	Total	Renovated	New	Total
Patient/Resident Rooms	880 W. Main	8,184					8,184			
Living/Common Areas	880 W. Main	9,976					9,976			
Dietary/Dining Area	880 W. Main	1,204					1,204			
Laundry	880 W. Main	324					324			
Salon/Spa	880 W. Main	286					286			
Housekeeping/Storage	880 W. Main	198					198			
Physical Therapy	880 W. Main	154					154			
Nursing Station	880 W. Main	110					110			
Patient/Resident Rooms										
Nursing Stations				55 W. Lake	9,500		9,500	\$90		\$90
Physical Therapy Gym				55 W. Lake	875		875	\$90		\$90
Wellness Gym				55 W. Lake	1,300		1,300	\$90		\$90
Dining Room				55 W. Lake	1,675		1,675	\$90		\$90
Kitchen				55 W. Lake	2,125		2,125	\$90		\$90
Offices & Support Areas				55 W. Lake	1,290		1,290	\$90		\$90
Storage				55 W. Lake	5,695		5,695	\$90		\$90
Living Areas				55 W. Lake	4,550		4,550	\$90		\$90
Data Room				55 W. Lake	1,095		1,095	\$90		\$90
				55 W. Lake	230		230	\$90		\$90
B. Unit/Depart. GSF Sub-Total		20,436			28,335		48,771	\$90		\$90
C. Mechanical/Electrical GSF					3,555		3,555	\$90		\$90
D. Circulation/Structure GSF					10,525		10,525	\$90		\$90
E. Total GSF		20,436			42,415		62,851	\$90		\$90

5:03 PM 12/24/13

Wharton Nursing Home



Uplands Village
Item 9, Section C, Need, Item 4.A

Variable	Cumberland County	White County	Tennessee
Current Year (CY), Age 65+	15,838	5,051	981,984
Projected Year (PY), Age 65+	15,852	5,192	1,042,071
Age 65+, % Change	0.1%	2.8%	6.1%
Age 65+, % Total (PY)	26.9%	19.0%	15.5%
CY, Total Population	57,815	26,871	6,588,698
PY, Total Population	58,913	27,387	6,710,579
Total Pop. % Change	1.9%	1.9%	1.8%
TennCare Enrollees	10,419	5,951	1,194,860
TennCare Enrollees as a % of Total Population	18.0%	22.1%	18.1%
Median Age	48.6	41.5	38.2
Median Household Income	\$37,963	\$34,717	\$44,140
Population % Below Poverty Level	16.4%	20.1%	14.9%

Sources:

Tennessee Population Projections 2014 and 2016, Tennessee Department of Health,
Division of Policy, Planning and Assessment, Office of Health Statistics

Midmonth Report for November 2013, Bureau of TennCare

Quickfacts from the US Census Bureau for Cumberland and White Counties and Tennessee

Uplands Village
Primary Service Area Nursing Home Utilization - 2012

Facility	Licensed Beds	Beds - MCR Certified	Beds - Dually Certified	Beds - MCD Certified	Only Beds Non-Certified	MCR ADC	MCD Level 2 ADC	All other Payors ADC	Non-skilled ADC	Total ADC	Total Admits
Good Samaritan Society - Fairfield Glade	30	-	30	-	-	13.5	-	10.9	-	24.4	189
Life Care Center of Crossville	122	-	122	-	-	19.0	-	70.1	-	89.1	326
Wharton Nursing Home	62	-	62	-	-	-	-	-	58.1	58.1	37
Wyndridge Health and Rehabilitation Center	157	-	157	-	-	19.7	-	0.9	112.7	133.3	402
Life Care Center of Sparta	100	-	100	-	-	26.8	-	10.8	48.7	86.3	303
NHC Healthcare Sparta	120	-	56	64	-	18.7	-	16.2	61.2	96.1	348
Total	591	-	527	64	-	97.7	-	108.9	280.8	487.3	1,605

Source: Nursing Home JAR, 2012

March 21, 2014
10:55am

Uplands Village
Primary Service Area Nursing Home Utilization Trends - 2010-2012

Facility	Licensed Beds	2010 Patient Days	2011 Patient Days	2012 Patient Days	10 - '12 % Change	2010 % Occupancy	2011 % Occupancy	2012 % Occupancy
Good Samaritan Society - Farifield Glade	30	-	434	8,930	#DIV/0!	0.0%	4.0%	81.3%
Life Care Center of Crossville	122	29,279	31,127	32,604	11.4%	65.8%	69.9%	73.0%
Wharton Nursing Home	62	22,138	22,241	21,264	-3.9%	97.8%	98.3%	93.7%
Wyndridge Health and Rehabilitation Center	157	51,403	49,980	48,787	-5.1%	89.7%	87.2%	84.9%
Life Care Center of Sparta	100	33,331	31,313	31,593	-5.2%	91.3%	85.8%	86.3%
NHC Healthcare Sparta	120	38,449	37,674	35,180	-8.5%	87.8%	86.0%	80.1%
Total	591	174,600	172,769	178,358	2.2%	80.9%	80.1%	82.5%

Source: Nursing Home JAR, 2010-2011, 2012

Uplands Village
Primary Service Area Nursing Home Bed Mix - 2012

Facility	Licensed Beds	Total Private Beds	Total Semi-Private Beds	Total Companion Beds	Ward Beds
Good Samaritan Society - Farifield Glade	30	30	-		
Life Care Center of Crossville	122	8	114		
Wharton Nursing Home	62	36	26		
Wyndridge Health and Rehabilitation Center	157	9	148		
Life Care Center of Sparta	100	8	92		
NHC Healthcare Sparta	120	30	90		
Total	591	121	470	-	-

Source: Nursing Home JAR, 2012

Uplands Village
Wharton Nursing Home's Historical and Projected Utilization

Year	Licensed Beds	MCR Certified Beds	MCR/MCD Dually Certified Beds	MCD Level 1 Only	MCR ADC	MCD Level 2 ADC	Skilled All Other Payers ADC	Non-Skilled ADC	Total ADC	Licensed % Occupancy	Total Admits
2010	62	-	-	62	-	-	-	61	61	98.4%	33
2011	62	-	-	62	-	-	-	61	61	98.4%	27
2012	62	-	-	62	-	-	-	58	58	93.5%	37
2013	62	-	-	62	-	-	-	59	59	95.2%	45
2014 (Est)	62	-	-	62	7	-	-	50	57	91.9%	95
Yr 1	62	-	-	62	22	-	-	36	58	93.5%	426
Yr2	62	-	-	62	29	-	-	29	58	93.5%	544

Source: Nursing Home JAR, 2012

Project Costs Chart

A. Construction and equipment acquired by purchase:

1. Architectural and Engineering Fees
2. Legal, Administrative (Excluding CON Filing Fee), Consultant Fees
3. Acquisition of Site
4. Preparation of Site
5. Construction Costs
6. Contingency Fund
7. Fixed Equipment (Not included in Construction Contract)
8. Moveable Equipment (List all equipment over \$50,000)
9. Other (Specify)

300,305
35,000
186,710
3,817,350
749,186

B. Acquisition by gift, donation, or lease:

1. Facility (inclusive of building or land)
2. Building only
3. Land only
4. Equipment (Specify)
5. Other (Specify)

C. Financing Costs and Fees: (See Note Below)

1. Interim Financing
2. Underwriting Costs
3. Reserve for One Year's Debt Service
4. Other (Specify)

D. Estimated Project Cost (A+B+C)

5,088,551

E. CON Filing Fee

11,449

F. Total Estimated Project Cost (D+E)

5,100,000

Note: The project is anticipated to be financed with a direct loan from USDA Rural Development Agency. There are no financing costs associated with this type of financing except for Uplands legal fees which are included in Line A.2.

March 21, 2014**10:55am**

P.O. Box 1028
Crossville, TN 38557
Ph. 931 484-7541

P.O. Box 4238
Cookeville, TN 38502
Ph. 931-372-7541
www.uplanddesigngroup.com

March 19, 2014

Mr. Al Griffin
Uplands Village
P.O. Box 168
Pleasant Hill, TN 38578

Re: Renovation of
Uplands Wellness Center
Pleasant Hill, TN

Dear Sir:

To the best of our knowledge, Upland Design Group, Inc.'s documents prepared for the renovation of the Uplands Wellness Center meet all applicable codes including federal, state, and local construction codes, standards, specifications, and requirements that apply to the proposed project, including the 2010 AIA Guidelines for Design and Construction of Healthcare Facilities pertaining to this project.

If we can provide any further information or answer any questions do not hesitate to contact me.

Sincerely,

Kim Allen Chamberlin, AIA, NCARB, LEED AP

KAC/kc

Uplands Village

Item 13. Section C, Economic Feasibility, Item 1 (Project Cost Chart)

Line A.7 - Moveable Equipment

Description	Estimate	Source of Estimate (Vendor)
Kitchen/Dining FF&E	320,780	Clark Turnkey Solutions Group
Therapy Gym Equipment	43,000	Functional Pathways
Wellness Gym Equipment	75,000	Orthotech
Patient/Conference Room TV	120,500	M3 Technologies
Phone System	39,000	Hiscall, Inc.
Nurse Call System	80,200	Hiscall, Inc.
IT Network	70,706	Various - Hiscall, Dell, Cisco, ADA Station
Total	749,186	

Form RD 1942-9
(Rev. 10-96)

Position 5

FORM APPROVED
OMB. No. 0575-0015

LOAN RESOLUTION SECURITY AGREEMENT

A RESOLUTION OF THE Board of Directors
OF THE Uplands Village
AUTHORIZING AND PROVIDING FOR THE INCURRENCE OF INDEBTEDNESS IN THE
PRINCIPAL AMOUNT OF \$6,500,000.00 FOR THE PURPOSE
PROVIDING A PORTION OF THE COST OF ACQUIRING AND CONSTRUCTING A

Nursing Home Renovation, PROVIDING FOR THE COLLECTION, HANDLING, AND
DISPOSITION OF REVENUES THEREFROM, AND AUTHORIZING MAKINGS OF PROMISSORY NOTES,
SECURITY INSTRUMENTS, AND PLEDGES OF REVENUES TO EVIDENCE AND SECURE THE PAYMENT
OF SAID INDEBTEDNESS AND FOR RELATED PURPOSES.

WHEREAS, the Uplands Village, (hereinafter
referred to as the "Organization"), was organized under laws of the State of Tennessee
for the purpose of providing a

(hereinafter referred to as the
"Facility") to serve the members of the said Organization; and

WHEREAS, a meeting of the members of the said Organization was held on the 27th day of July, 2013
pursuant to proper notice thereof to consider plans for the acquisition, construction, and methods of financing the Facility;

and, as shown by the minutes of said meeting, of the 17 members of record of the Organization there were present and voting

15, and by a recorded vote, the Facility and its financing were authorized; and,

WHEREAS, the proposed Facility is to be constructed and in accordance with plans and specifications
prepared by

and in order to finance the Facility, the Board of Directors
(hereinafter referred to as the "Board") is authorized and empowered, in their discretion, for and in the name of the Organization, to make
application to the United States of America, through the United States Department of Agriculture, (hereinafter referred to as the "Government"),
for financial assistance; to cause the execution and delivery of an installment promissory note or notes or other evidence of indebtedness
(hereinafter referred to as the "Note"), and appropriate security instruments to secure any loan or loans made or insured by the Government; to
comply with any requirements, terms or conditions prescribed by the Government or by Government regulations; and to execute contracts or
enter into agreements and, without limitation, to take any and all other action as may be necessary, incidental or appropriate to finance, acquire,
construct, complete, or equip the Facility for and on behalf of the Organization.

NOW THEREFORE, it is hereby resolved by the Board as follows:

Section 1. (Determination of Board). That it is necessary to defray a portion of the costs of financing the Facility by obtaining a loan
made or insured by the Government in accordance with applicable provisions of the Consolidated Farm and Rural Development Act, it being
determined that the Organization is unable to obtain sufficient credit elsewhere to finance the Facility, taking into consideration prevailing
private and cooperative rates and terms currently available;

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0015. The time required to complete this information collection is established to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

Section 2. (Terms of Loan). That the Organization borrow \$ 6,500,000.00 and issue as evidence thereof Note in the form prescribed by the Government for the full principal amount of the loan. The note shall be signed by the President, attested by the Secretary and if necessary, have the corporate seal of the Organization affixed thereto, and shall bear interest from its date, which shall be the

date of delivery, at a rate not to exceed 3.5000 percent per annum;

the principal and interest shall be paid over a period of 40 years in accordance with the payment schedule set forth in the Note, until the

principal and interest are fully paid except the final payment of the entire indebtedness, if not sooner paid, shall be due and payable 40 years from the date of the Note. Each payment shall be applied first to the payment of the accrued interest and second to the payment of the principal. Prepayments of any installment may be made in any amount at any time at the option of the Organization.

Section 3. (Assignment and Pledge of Revenue). The indebtedness hereby authorized to be incurred, together with the interest thereon, shall be payable from the gross income and revenue to be derived from the operation of the Facility, a sufficient portion of which, to pay the principal and interest as and when the same shall become due, is hereby assigned, and pledged and shall be set aside for that purpose and this assignment and pledge shall extend to and include any assessments that may be levied pursuant to Section 5 (d) hereof.

Section 4. (Protection and Disposition of Funds). The President of the Organization shall be the custodian of all funds of the Organization. Funds may be deposited in institutions insured by the State or Federal Government or invested in readily marketable securities backed by the full faith and credit of the United States. Any income from these accounts will be considered as revenues of the system.

The President is hereby directed to establish the following accounts into which the current funds of the Organization, Note proceeds, the revenues from the Facility and any other income shall be deposited, which accounts shall be continually maintained, except as otherwise provided, so long as the indebtedness hereby authorized remains unpaid:

(a) Construction Account

The proceeds of the Note, hereby authorized not disbursed contemporaneously with loan closing for incurred Facility costs, and at least the amount of \$ 0.00 to be contributed by the Organization from the collection of initial connection fees, membership fees or contributions shall be deposited in an account designated as the Construction Account which shall be established as required by the Government. Withdrawals from the construction account shall be made only on checks signed by the President of the Organization as authorized by the Board from time to time, and with prior concurrence of the Government. At the option of the Government, the construction account may be established as a "supervised bank account". Amounts in the supervised bank account exceeding \$100,000 shall be secured by the depository bank in advance in accordance with 31 C.F.R. part 22. Withdrawals from a supervised bank account shall be made only on checks signed by the

President of the Organization and countersigned by an authorized official of the Government. The Organization's share of any insurance or liquidated damages and other monies paid by defaulting contractors or their sureties will be deposited in the Construction Account to assure completion of the Facility. When all construction costs have been paid in full, any balance remaining in the Construction Account may be applied on the loan or used for other authorized purposes that have been approved by the Government and the Construction Account shall be closed.

(b) General Account

As soon as the Facility becomes revenue producing, all funds received shall be set aside in an account to be designated as the General Account. Disbursements and transfers from this account shall be for: debt service, operations and maintenance, and transfers to an account designated as the Reserve Account. Monies deposited in the General Account shall be used only in the manner and order as follows:

(1) Organizations making monthly Government debt service payments shall use the General Account for making such payments plus operating and maintenance expenses. Any remaining funds will be transferred from this account to the Reserve Account in accordance with (d) below.

(2) Borrowers making other than monthly Government debt service payments shall first use the General Account to pay operating and maintenance expenses. Then other transfers from this account will be made in the following order: (i) To an account designated as the Debt Service Account will be made in accordance with (c) below, (ii) Transfers to the Reserve Account will be made in accordance with (d) below.

(c) Debt Service Account

Organizations making other than monthly debt service payments, shall transfer subject to income availability from the General Account to the Debt Service Account, a sum not to increase the next installment on the note.

(d) Reserve Account.

From the remaining funds in the General Account, after transfers and payments required in (b) (1) or (b) (2) and (c), there shall be set aside into the Reserve Account the sum of \$ 2,522.00 each month until there is accumulated in that account the sum of \$ 302,640.00 after which deposits may be suspended, except to replace withdrawals. When necessary, disbursements may be used for payments due on the Note if sufficient funds are not available in the General or Debt Service Account. With the prior written approval of the Government, funds may be withdrawn for:

- (1) paying the cost of repairing or replacing any damage to the Facility which may have been caused by catastrophe, or
- (2) making extensions or improvements to the Facility.

Whenever disbursements are made from the Reserve Account, monthly deposits shall then be resumed until there is again

accumulated the amount \$ 302,640.00, at which time deposits may be discontinued. Whenever there shall accumulate in the General Account, amounts in excess of those required in subsections (b) (1) and (2), (c), and (d), such excess will be used by the Organization to make prepayments on the loan or retained in the General Account. The accounts required in subsections (b) (1) and (2), (c) and (d) may be established and maintained as bookkeeping accounts or as separate bank accounts at the election of the Organization, unless otherwise directed by the Government.

Section 5. (Other Covenants and Agreements of the Organization). The Organization covenants and agrees that so long as the indebtedness hereby authorized remains unpaid:

- (a) It will indemnify the Government for any payments made or losses suffered by the Government.
- (b) It will comply with applicable state laws and regulations and continually operate and maintain the Facility in good condition.
- (c) It will impose and collect such rates and charges that gross revenues will be sufficient at all times to provide for the payment of the operation and maintenance thereof and the installment payments on the Note and the maintenance of the various accounts herein created. All service rendered by or use of the Facility shall be subject to the full rates prescribed in the rules and regulations of the Organization.
- (d) If, for any reason, gross revenues are insufficient, it will cause to be levied and collected such assessments as may be necessary to operate and maintain the Facility in good condition and meet installment payments on the Note as the same become due.
- (e) It will (i) establish and maintain such books and records relating to the operation of the Facility and its financial affairs, (ii) will provide for the annual audit thereof in such manner as may be required by the Government, (iii) will provide the Government without its request a copy of each such audit, and (iv) will make and forward to the Government such additional information and reports as it may from time to time require.
- (f) It will provide the Government, at all reasonable times, access to the Facility and all its books and records so that the Government may ascertain that the Organization is complying with the provisions hereof and with the provisions of other instruments incident to the making or insuring of the loan.
- (g) It will maintain at least such insurance and fidelity bond or employee dishonesty coverage as may be required by the Government.
- (h) It will not borrow any money from any source or enter into any contract or agreement or incur any other liabilities in connection with making extensions or improvements to the Facility, exclusive of normal maintenance, without obtaining the prior written consent of the Government.
- (i) It will not cause or permit any voluntary dissolution of the Organization or merge or consolidate with an other organization, without obtaining the prior written consent of the Government. It will not dispose of, or transfer title to the Facility or any part thereof, including lands and interest in lands by sale, security instrument, lease or other encumbrance, without obtaining the prior written consent of the Government. Revenue, in excess of the amount required to maintain the accounts described by Section 4 herein, will not be distributed or transferred to any other organization or legal entity.
- (j) It will not modify or amend its organizational documents, including any articles of incorporation or bylaws without the written consent of the Government.
- (k) It will provide adequate service to all persons within the service area who can feasibly and legally be served and will obtain Government's concurrence prior to refusing new or adequate services to such persons. Upon failure to provide services which are feasible and legal, such person shall have a direct right of action against the Organization or public body.
- (l) All present and future contract rights, accounts receivable, and general intangibles arising in connection with the Facility are pledged as security for the loan.

March 21, 2014

10:55am

(m) It will comply with the measures identified in the Government's environmental impact analysis for this Facility for the purpose of avoiding or reducing the adverse environmental impacts of the Facility's construction or operation.

Section 6. (Security Instruments). In order to secure the payment of the principal and interest of the Note, the President and Secretary of the Organization are hereby authorized and directed to execute and deliver good and sufficient lien instruments, where necessary, encumbering the properties and assets, both real and personal, constituting said Facility, as completed, or as the same may be thereafter extended, including an assignment and pledge of revenues and such other instruments as may be prescribed by the Government.

Section 7. (Refinancing). If at any time it shall appear to the Government that the Organization is able to refinance the amount of the indebtedness then outstanding, in whole or in part, by obtaining a loan for such purposes from responsible cooperative or private credit sources, at reasonable rates and terms for loans for similar purposes and periods of time the Organization will, upon request of the Government, apply for, and accept, such loan in sufficient amount to repay the Government and will take all such actions as may be required in connection with such loan.

Section 8. ("Equal Employment Opportunity under Construction Contracts and Nondiscrimination"). The President and the Secretary be and they are authorized and directed to execute for and on behalf of the Organization, Form RD 400-1, "Equal Opportunity Agreement", and Form RD 400-4, "Assurance Agreement".

Section 9. (Authorization of Officials). In the case of a grant in the sum not to exceed \$ _____, the Organization hereby accepts the grant under the terms as offered by the Government and that the _____ and _____ of the Organization are hereby authorized and empowered to take all action necessary or appropriate in the execution of all written instruments as may be required in regard to or as evidence of such grant and the Organization hereby resolves to operate the Facility under the terms as offered in said grant agreements.

Section 10. (Cross Default). Default under the provisions of this agreement or any instrument incident to the making or issuing of the loan may be construed by the Government to constitute default under any other instrument held by the Government and executed or assumed by the Organization, and default under any such instrument may be construed by the Government to constitute default hereunder.

Section 11. (Resolution of Contract). The provisions hereof and the provisions of all instruments incident to the making or the insuring of the loan, unless otherwise specifically provided by the terms of such instruments, shall constitute a contract between the Organization and the Government or assignee so long as the note hereby authorized remains unpaid.

Section 12. (Effective Date). This resolution shall take effect and be in force from and after the 27th day of July, 2013, being the date of its enactment.

The vote was: Yes 15 Nays 0 Absent 0

(SEAL) (if applicable)

Attest:

Christine Stinson
Title Secretary, Board of Directors

CERTIFICATION

I, the undersigned, as secretary of the Board of Directors hereby certify that the Board of Directors of such Organization or Corporation is composed of _____ members of whom _____; constituting a quorum, were present at a meeting thereof duly called and held on the _____ day of _____; that the foregoing resolution was adopted at such meeting by the vote shown above, and that said resolution has not been rescinded or amended in any way.

Dated, this _____ day of _____

Secretary of Board of Directors

March 21, 2014

10:55am



United States Department of Agriculture

January 17, 2014

Mr. Lyle Weible, Chairman
Uplands Village
86-A Church Dr
PO Box 168
Pleasant Hill TN 38578

Re: \$6,500,000 RHS Loan
Nursing Home Renovations, New Facility Construction and Telecommunications
Upgrades
Amendment No.1 to the Letter of Conditions dated August 16, 2013

Dear Mr. Weible:

This letter is to amend the Letter of Conditions dated August 16, 2013. This amendment is needed to change the amortization period of your loan from 40 to 38 years to allow for the two years of interest only payments. The following items of the Letter of Conditions dated August 16, 2013 are amended as follows:

12. The loan will be repaid over a period not to exceed 40 years. The principal and interest will be amortized monthly over the 38-year period at the lower of the intermediate or market interest rate. The amortized payment will be due two years (to allow for two years of interest only payments) and one month from the date of loan closing and each month thereafter until the loan is paid in full. The Applicant will participate in the Preauthorized Debit (PAD) payment process. It will allow for the payment to be electronically debited from the Applicant's account on the day the payment is due. The borrower must budget revenue sufficient to meet (1) operation and maintenance expenses, (2) requirements for outstanding loan payments, and (3) reserve requirements which will be accumulated annually in an amount equal to one-tenth of an annual payment until a full annual payment is reached.

No other changes are authorized.

Rural Development • Cookeville Area Office
390 S Lowe Ave Ste K • Cookeville, TN 38501
931-528-6539 • Fax 931-528-1976

USDA is an equal opportunity provider and employer.

If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form (PDF), found online at http://www.ascr.usda.gov/complaint_filing_cust.html, or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at program.intake@usda.gov.

March 21, 2014

2 10:55am

We will work closely with you in developing the docket and will furnish you forms and guides to be used. We trust that loan closing and a completed project will be accomplished at the earliest possible date.

Sincerely,



JERRY W. JOLLEY
Area Director

cc: Local Attorney
State Director, USDA, Rural Development

Ambulatory Surgical Treatment Center Construction Cost Per Square Foot**Years: 2010 – 2012**

	Renovated Construction	New Construction	Total Construction
1st Quartile	\$50.00/sq ft	\$200.00/sq ft	\$78.42/sq ft
Median	\$100.47/sq ft	\$252.74/sq ft	\$166.28/sq ft
3rd Quartile	\$166.28/sq ft	\$292.61/sq ft	\$244.26/sq ft

*Source: CON approved applications for years 2010 through 2012***Hospital Construction Cost Per Square Foot****Years: 2010 – 2012**

	Renovated Construction	New Construction	Total Construction
1st Quartile	\$99.12/sq ft	\$234.64/sq ft	\$167.99/sq ft
Median	\$177.60/sq ft	\$259.66/sq ft	\$235.00/sq ft
3rd Quartile	\$249.00/sq ft	\$307.80/sq ft	\$274.63/sq ft

*Source: CON approved applications for years 2010 through 2012***Nursing Home Construction Cost Per Square Foot****Years: 2010 – 2012**

	Renovated Construction	New Construction	Total Construction
1st Quartile	\$19.30/sq ft	\$164.57/sq ft	\$73.23/sq ft.
Median	\$35.76/sq ft	\$167.31/sq ft	\$164.57/sq ft
3rd Quartile	\$55.00/sq ft	\$181.72/sq ft	\$167.61/sq ft

*Source: CON approved applications for years 2010 through 2012***Outpatient Diagnostic Center Construction Cost Per Square Foot****Years: 2010 – 2012***Due to insufficient sample size, Construction ranges are not available.*

Historical Data Chart

Give information for the last *three (3)* years for which complete data are available for the facility or agency. The fiscal year begins in July (Month).

	FY 2011	FY 2012	FY 2013
A. Utilization Data (Specify unit of measure)			
Level 1 Days	22,241	21,264	21,352
Level 2 Days	-	-	161
Total Days	22,241	21,264	21,513
Level 1 Admissions	27	37	40
Level 2 Admissions	-	-	5
Level 1 ALOS	824	575	538
Level 2 ALOS			32
B. Revenue from Services to Patients			
1. Inpatient Services	3,712,406	3,804,977	4,097,152
2. Outpatient Services			
3. Emergency Services			
4. Other Operating Revenue			
(Specify) Beauty Shop, Guest & Emp Meals			
Gross Operating Revenue	3,712,406	3,804,977	4,097,152
C. Deductions from Gross Operating Revenue			
1. Contractual Adjustments	23,229	101,020	395,308
2. Provision for Charity Care			
3. Provisions for Bad Debt	27,957	9,922	-
Total Deductions	51,186	110,942	395,308
NET OPERATING REVENUE	3,661,220	3,694,035	3,701,844
D. Operating Expenses			
1. Salaries and Wages	1,981,897	2,154,636	2,248,093
2. Physician's Salaries and Wages			
3. Supplies	302,329	316,568	278,152
4. Taxes	137,950	137,950	137,950
5. Depreciation	220,336	236,473	235,663
6. Rent			
7. Interest, other than Capital			
8. Other Expenses (Specify)	252,008	289,315	453,730
Utilities, Contract Svcs, Repairs & Maint, etc.			
Total Operating Expenses	2,894,520	3,134,942	3,353,588
E. Other Revenue (Expenses) - Net (Specify)			
NET OPERATING INCOME (LOSS)	766,700	559,093	348,256
F. Capital Expenditures			
1. Retirement of Principal	53,788	58,182	60,024
2. Interest	139,844	134,284	126,795
Total Capital Expenditures	193,632	192,466	186,819
NET OPERATING INCOME (LOSS)			
LESS CAPITAL EXPENDITURES	573,068	366,627	161,437

Projected Data Chart

Give information for the last *three (3)* years for which complete data are available for the facility or agency. The fiscal year begins in July (Month).

	FY 2016	FY 2017
A. Utilization Data (Specify unit of measure)		
Level 1 Days	13,015	10,525
Level 2 Days	8,030	10,525
Total Days	21,045	21,050
Level 1 Admissions	24	19
Level 2 Admissions	402	525
Level 1 ALOS	542	554
Level 2 ALOS	20	20
B. Revenue from Services to Patients		
1. Inpatient Services	6,097,672	8,394,087
2. Outpatient Services		
3. Emergency Services		
4. Other Operating Revenue		
(Specify) Beauty Shop, Guest & Emp Meals		
Gross Operating Revenue	6,097,672	8,394,087
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	1,131,910	2,045,249
2. Provision for Charity Care		
3. Provisions for Bad Debt	30,488	41,970
Total Deductions	1,162,398	2,087,219
NET OPERATING REVENUE	4,935,274	6,306,868
D. Operating Expenses		
1. Salaries and Wages	2,774,191	2,857,417
2. Physician's Salaries and Wages		
3. Supplies	308,650	317,910
4. Taxes	137,950	137,950
5. Depreciation	297,668	305,737
6. Rent		
7. Interest, other than Capital		
8. Other Expenses (Specify)	899,191	1,754,026
Utilities, Contract Svcs, Repairs & Maint, etc.		
Total Operating Expenses	4,417,650	5,373,039
E. Other Revenue (Expenses) - Net (Specify)		
NET OPERATING INCOME (LOSS)	517,624	933,829
F. Capital Expenditures		
1. Retirement of Principal	86,426	90,741
2. Interest	247,473	242,576
Total Capital Expenditures	333,899	333,317
NET OPERATING INCOME (LOSS)		
LESS CAPITAL EXPENDITURES	183,725	600,512

Uplands Village
FTE Comparison

<u>Position</u>	<u>FY 2013</u>	<u>Projected</u>	<u>Change</u>
Administrator	1.0	1.0	-
Director of Nursing	1.0	1.0	-
Ass't Director of Nursing	0.2	1.0	0.8
MDS Coordinator	1.0	2.0	1.0
Medical Records	1.1	1.0	(0.1)
Social Worker	1.0	1.0	-
Activity Coordinator	0.1	1.0	0.9
Administrative Assistant	1.0	1.0	-
RN	1.3	4.2	2.9
LPN	10.9	11.2	0.3
Caregivers	38.0	35.6	(2.4)
Dietary	15.7	13.5	(2.2)
Housekeeping	-	4.2	4.2
Laundry	-	2.8	2.8
Transportation	-	1.0	1.0
Maintenance	0.9	1.0	0.1
	<u>73.2</u>	<u>82.5</u>	<u>9.4</u>

Uplands Village

RUG Reimbursement Calculation

<u>RUG</u>	<u>Total Rate</u>	<u>Labor</u>	<u>NonLabor</u>	<u>Wage In</u>	<u>Rate</u>	<u>2% Seq</u>	<u>Final Rate</u>
RUX	778.44	541.37	237.07	0.7444	640.07	12.80	627.26
RVX	683.97	475.67	208.30	0.7444	562.39	11.25	551.14
RUC	602.61	419.09	183.52	0.7444	495.49	9.91	485.58
RUB	602.61	419.09	183.52	0.7444	495.49	9.91	485.58
RUA	512.32	356.29	156.03	0.7444	421.25	8.43	412.83
RVC	509.72	354.48	155.24	0.7444	419.11	8.38	410.73
RVB	446.36	310.42	135.94	0.7444	367.02	7.34	359.68
RVA	444.77	309.32	135.45	0.7444	365.71	7.31	358.39
RHC	438.29	304.81	133.48	0.7444	360.38	7.21	353.17
RLB	364.13	253.23	110.90	0.7444	299.40	5.99	293.42
RMB	358.66	249.43	109.23	0.7444	294.91	5.90	289.01
HC1	338.21	235.21	103.00	0.7444	278.09	5.56	272.53
CD1	322.37	224.19	98.18	0.7444	265.07	5.30	259.77
CC1	285.93	198.85	87.08	0.7444	235.10	4.70	230.40
PB1	227.32	158.09	69.23	0.7444	186.91	3.74	183.17

Note: The majority of Uplands patients fall within the outlined RUG codes

Date: _____

Daily Staff Posting

Shift	Category of Staff	# of Staff	Total Hours Worked
6A – 2P	RN	<u>1</u>	<u>8</u>
2 P – 10P		<u>1</u>	<u>8</u>
10p – 6A		<u> </u>	<u> </u>
6A – 2 P	LPN	<u>3</u>	<u>24</u>
2P – 10P		<u>2</u>	<u>16</u>
10P – 6A		<u>2</u>	<u>16</u>
6A – 6P		<u>0</u>	<u> </u>
6P – 6A		<u>0</u>	<u> </u>
6:30A – 6:30P	CNA	<u> </u>	<u> </u>
6:30P – 6:30A	CNA	<u> </u>	<u> </u>
6:30A – 2:30P	CNA	<u>12</u>	<u>96</u>
2:30P – 10:30P	CNA	<u>8</u>	<u>64</u>
10:30P – 6:30A	CNA	<u>8</u>	<u>64</u>
7 – 3p	Restorative CNA Team Leader, CNA MDS RN ADON RN Social Services Activity Director Med Records, LPN DON RN	<u>2</u>	
7 – 3p		<u>4</u>	
8 - 4P		<u>8</u>	
8 - 4P		<u>8</u>	
8 – 4P		<u>8</u>	
8 – 2P		<u>7</u>	
8 - 4P		<u>8</u>	
8 – 4 P		<u>8</u>	

Total Hours Worked 352Census 62Staff ratio (Census divided by total hours worked) 5.67

PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision date, as published in T.C.A. § 68-11-1609(c): 06/25/14

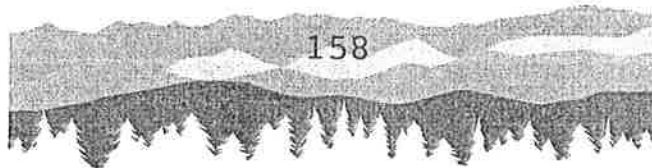
Assuming the CON approval becomes the final agency action on that date; indicate the number of days from the above agency decision date to each phase of the completion forecast.

<u>Phase</u>	<u>DAYS REQUIRED</u>	<u>Anticipated Date (MONTH/YEAR)</u>
1. <u>Architectural and engineering contract signed</u>	Completed	08/13
2. <u>Construction documents approved by the Tennessee Department of Health</u>		06/14
3. <u>Construction contract signed</u>	30	07/14
4. <u>Building permit secured</u>	30	07/14
5. <u>Site preparation completed</u>	60	08/14
6. <u>Building construction commenced</u>	60	08/14
7. <u>Construction 40% complete</u>	240	02/15
8. <u>Construction 80% complete</u>	390	07/15
9. <u>Construction 100% complete (approved for occupancy)</u>	480	10/15
10. <u>*Issuance of license</u>	Currently	Licensed
11. <u>*Initiation of service</u>	510	11/15
12. <u>Final Architectural Certification of Payment</u>	510	11/15
13. <u>Final Project Report Form (HF0055)</u>	540	12/15

* For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.

Note: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.

SUPPLEMENTAL
#2



March 28, 2014

10:15 am

UPLANDS VILLAGE

COME UP HIGHER

March 27, 2014

Jeff Grimm, HSDA Examiner
State of Tennessee
Health Services & Development Agency
Andrew Jackson Building, Ninth Floor
502 Deaderick Street
Nashville, TN 37243

RE: Certificate of Need Application CN1403-006
Wharton Nursing Home

Dear Mr. Grimm:

Attached are our responses to your letter dated March 24, 2014 requesting clarification or additional discussion from your review of our CON application, CN1403-006.

Please contact me at (931) 277-3518 or by email at agriffin@uplandsvillage.com if you need further information.

Sincerely,

Al Griffin
Director of Financial Services

1. Section B, Project Description, Item II A and B

The revised Square Footage Chart with breakout of key units/department and the expected increase in the square footage per bed is noted.

With respect to the comparison of the private vs. semi-private accommodations mix, there appears to be an error in the third and fourth columns of the table based on the applicant's statements in the application that the proposed renovated West Lake building will contain space for 31 private rooms. As such, please clarify why the number of private rooms upon completion would not total to 26 private rooms (W. Main) plus 31 private rooms (W. Lake) for a total of 57 private rooms. In your response, please revise the table below:

	Current Rooms	Current Beds	Proposed Rooms	Proposed Beds
Semi-private Rooms	18	36	9	18
Private Rooms	26	26	44	44
Total	44 rooms	62 beds	53 rooms	62 beds

Half of the current rooms and beds in the 878 W. Main St. location will be converted to an assisted living memory care unit leaving 9 semi-private rooms with 18 semi-private beds plus 13 private rooms/beds for a total of 22 rooms and 31 beds in the 880 W. Main St. location for Level 1 and/or Level 2 services. The renovation will add 31 private rooms in the 55 W. Lake Rd. location. This will provide us with 62 total proposed licensed beds as reflected in the above chart.

2. Section C, Need, Item 1 (a)

The responses to the 5 Principles for Achieving Better Health found in the State Health Plan are noted.

Please clarify the statement that the project can simplify the access for providers, consultants and elders by creating a single point of entry. In addition, please clarify the relationship of the project to the implementation and integration of the AOD (please identify) system that will facilitate referral process with providers and case managers.

Uplands current computer systems are not integrated and cause many inefficiencies and duplications, especially in the referral and billing processes. AOD is the acronym for Answers on Demand, a fully integrated computer system designed specifically for continuing care retirement communities such as Uplands Village. This system maintains, in a single database, data on residents/patients throughout the continuum of care. It will become the single point of entry for all of Uplands residents/patients whether they are able to live independently or need assisted living, outpatient therapy, skilled nursing, memory care, or long-term nursing services. This will facilitate a more efficient referral process for providers and case managers in that all medical information will be readily available in one database.

Also, although Uplands Village is not currently aligned with any ACO, we are tracking our quality measures to maintain the 5 star rating we received from the Centers for Medicare and Medicaid Services (CMS).

3. Section C, Need 1.a. (Service Specific Criteria-Construction, Renovation, Expansion, and Replacement of Health Care Institutions)

The response to Item 3(a) and 3 (b) of these criteria is noted. To ensure that the standard is addressed in its entirety, please provide a response for each item that applies. A response as "not applicable" should include a brief statement for the rationale that applies. Please provide your response to each item below:

SERVICE SPECIFIC CRITERIA AND STANDARD REVIEW

CONSTRUCTION, RENOVATION, EXPANSION, AND REPLACEMENT OF HEALTH CARE INSTITUTIONS

- 1. Any project that included the addition of Beds, Services, or Medical Equipment will be reviewed under the standards for those specific activities**

Not applicable, the project does not involve the addition of new nursing home beds or services

- 2. For relocation or replacement of an existing licensed health care institution:**
 - a. The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative**

The proposed addition of a memory care assisted living center will be a future addition to the continuum care of Uplands Village's CCRC. The location for this new program will be located in a household that is distinct and separated from the non-skilled/level 1 and skilled/level 2 service areas. The space designated for the memory assisted living is designed to meet all the physical requirements for the Eden Alternative household model of services. Uplands Village will begin the assisted living licensing process in early 2015 for this additional program. The location will provide superior, secure space for meeting the needs of elders who do not need the extensive care of a nursing home but who have received an irreversible dementia diagnosis and need a secure environment for receiving direct care, ancillary services, dietary requirements, etc. The building will be safely maintained by a professional on-site staff and will meet all life safety codes as defined by Tennessee's assisted living regulations.

Uplands Village considered using the renovated building site for the memory support assisted living but quickly determined the current location of the 31 NF level 1 and level 2 beds to be moved is far superior for implementing the Eden Alternative principles because of its physical design, i.e. it was created and built specifically for implementing the Eden Alternative care. The location for the 31 NF level 1 and level 2 is designed in a more traditional three hallway configuration with ample space for a full therapy gym, resident dining room and kitchen that affords an environment more conducive for NF level 1 and especially

NF level 2 care. The environment would place an extra burden on memory support assisted living staff and residents with "sundowners" because it would make it more difficult for staff to be able to maintain visual contact for safety and cuing.

Based on the information provided by our architect and provided as Attachment C. Economic Feasibility. 11.b with our initial CON application, the cost to build a new facility would cost us approximately \$2,500,000 more than to renovate the proposed building.

- b. The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.**

The results of a Demand Analysis provided to us by CliftonLarsonAllen indicate a continuing demand for skilled and intermediate care within Cumberland County with an unmet need for 14 additional short stay beds. Their conclusion is provided in Attachment C. Need. 4.B in our initial CON application submission. In addition, the information provided in Attachment C. Need. 1.A and the attachments provided on pages S.8 – S.12 shows anticipated increases in the over 65 years old population as well as a current unmet need of additional nursing home beds. Although Uplands Village is not proposing any additional beds to its complement of 62 licensed beds, the analysis provided by CliftonLarsonAllen and the data from the Tennessee Department of Health and Joint Annual Reports of Nursing Homes a current and continuing need both Level 1 and Level 2 beds in Cumberland and White counties.

- 3. For renovation or expansions of an existing licensed health care institution:**

- a. The applicant should demonstrate that there is an acceptable existing demand for the proposed project**

Please see response to 2.b above

- b. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion**

Please see attached Summary and Recommendations provided by our architect, Upland Design Group (no relation to Uplands Village) including a report from Maffett Loftis Engineering regarding the conditions of the proposed building including their recommendations.

- 4. Section C, Need, Item 4. B and Item 6.**

The response is noted. Review of the 2012 Hospital JAR for hospitals in Cumberland and White Counties revealed that residents of Cumberland and White County accounted for approximately 5,582 or 80% of 6,868 total hospital admissions in 2012 (Hospital JAR – 2012). In addition, it appears that patients age 65 and older accounted for approximately 3,982 of the 5,582 admissions – see table below:

Hospital Admissions in Applicant's Service Area

Hospital	Total Admits	Cumberland County residents	White County residents	Age 65+
Cumberland Medical Center	5,430	4,316	124	3,010
White County Hospital	1,430	84	958	915
Total	6,868	4,400	1,082	3,925

Since it appears that the six nursing homes in the service area admitted approximately 1,603 patients from hospitals in 2012, of which 1,307 admissions were admitted for level 2 nursing home services, there may be sufficient source of referrals from these hospitals. Please comment on the availability of discharges & referrals from area hospitals in justifying the unmet need for short stay beds (14 beds) in the service area and the development of the projections for short stay patient admissions in the first two years of the project.

The data provided in the initial and supplemental CON application data, the data provided above, and the analysis provided by CliftonLarsonAllen justifies the need not only for the currently licensed 62 beds, but also for at least the 14 beds suggested in the CliftonLarsonAllen analysis.

Additionally, CliftonLarsonAllen in performing their analysis interviewed professionals in and around Cumberland county, including case managers from area hospitals. Comments from these interviews indicates that Uplands has a strong reputation in the community, consumers typically want to stay as close to home as possible, and that there is a need for additional skilled rehab beds at Uplands with one interviewee noting a "dire need for geriatric medical care" in the community.

Based on this, Uplands anticipates that it will continue to have a strong referral source from area hospitals to maintain a census of approximately 22 Level 2 patients per day during the 1st year after project completion and 28 – 29 Level 2 patients the 2nd year. This census is anticipated to produce the Level 2 days projected in the Projected Data Chart. Based on an average length of stay (ALOS) of 20 days for Level 2 patients, Uplands anticipates the 402 (8,030 days / 20 day ALOS) Level 2 admissions during the 1st year and 525 (10,525 days / 20 day ALOS) admissions during the 2nd year.

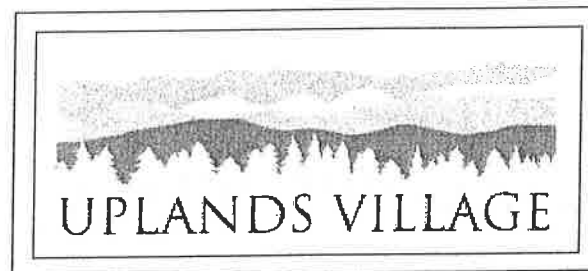
March 28, 2014

10:15 am

Building Survey/Evaluation:

Old Wharton Nursing Home Uplands Village

Pleasant Hill, Tennessee

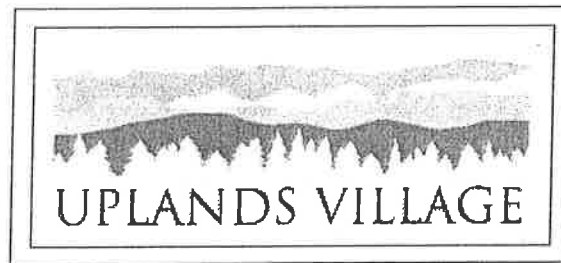


DATE: May 1, 2013

PROJECT NO. 862



Upland Design Group, Inc.
P.O. Box 1026
Crossville, TN 38557
Ph. 931 484-7541
Fax 931 484-2351
www.uplanddesigngroup.com



Summary and Recommendations

March 28, 2014**10:15 am**

Building Survey/Evaluation
Uplands Village
Old Wharton Nursing Home
Pleasant Hill, TN



Physical Facilities Survey Summary

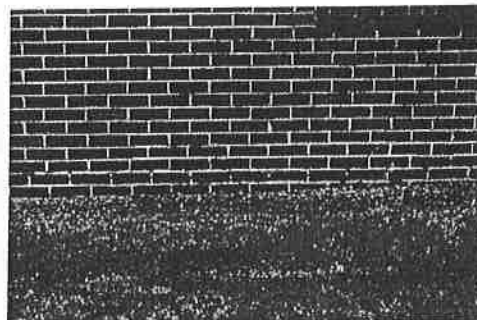
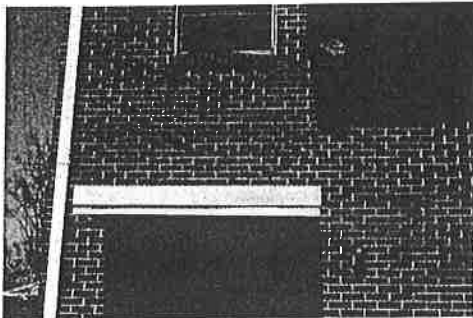
The existing old Wharton Nursing Home building originally served as a skilled care nursing facility for Uplands Retirement Village (now Uplands Village) community in Pleasant Hill, TN. The original building was constructed in the 1950's and has seen one major addition in the 1960's and a couple of smaller additions (sunroom off of the dining hall in the rear of the building and a new main entry vestibule). There have been a number of internal renovation projects to upgrade the building including HVAC systems, sprinkler system, fire alarm, etc.

The building is a two-story structure with 17,306 sf on the lower level and 24,502 sf on the upper level for a total of approximately 41,808 sf. The building is currently occupied on the lower level in one wing with administrative offices and another wing housing maintenance and storage areas for the campus. The upper level has been completely vacant for some time. After the addition, the upper level housed patient rooms for the nursing home along with administrative support offices and food service. The lower level had patient rooms, support areas (laundry, medical, offices, maintenance, storage, etc.) until the nursing home relocated.

The following summary comments refer to the attached Physical Facilities Survey.

A Substructure

The building is a typical masonry structure with a brick veneer exterior walls. The structural system is concrete block exterior and interior bearing walls with steel bar joist floor and roof structure with metal deck and concrete composite upper floor system and metal deck roof. The overall structure or "bones" of the building remain in good condition. There has been some movement in the exterior brick veneer most likely from thermal movement due to the lack of control joints. This movement is exhibited by cracks in the brick typically near corners of the building. This condition should be corrected by minor masonry work to the brick veneer along with the addition of cut control joints around the building at appropriate locations. The remainder of the building structure shows minor wear from the age of the building and should not adversely affect renovation for adaptive reuse of the building.



March 28, 2014**10:15 am**

Building Survey/Evaluation
 Uplands Village
 Old Wharton Nursing Home
 Pleasant Hill, TN



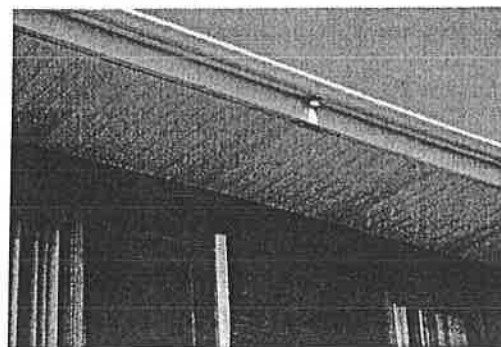
B Shell 1 & 2

The building envelop is made up of a typical concrete block wall with a brick veneer typical of the time of construction. Modern construction techniques still use a masonry veneer wall for many buildings. However, there is a very distinct difference in newer wall construction techniques. Newer walls are made up of cavity type construction that provide a moisture barrier and insulation for the walls. While it will not be practical to alter the existing walls to provide the cavity with insulation it is recommended to add insulation on the interior of the exterior walls to provide improved R values for the building.

The existing windows are single pane glass non-thermally broken aluminum frames. They do not provide adequate thermal barriers for today's buildings. It is recommended that they be replaced in their entirety with new energy efficient windows. Exterior doors are in reasonably good condition requiring minor upgrades in hardware and paint.



The existing roof is a low slope adhered EPDM membrane approaching 20 years since installation. It is showing no apparent areas of leaks at this time but has reached the last years of its expected life. If the building is renovated it is recommended to replace the roof at the same time. This will prevent damage to newly renovated spaces below in the very near future. At the time of reroofing it would also be advantageous to add additional insulation to the roof to increase its thermal R rating value to reduce future energy costs. The existing gutters and downspouts are in poor condition and will require complete replacement along with the reroof work. Note that currently some gutters are missing or hanging loose. If the building is to remain in use this issue should be addressed immediately to prevent damage to the building's foundation.



March 28, 2014**10:15 am**

Building Survey/Evaluation
Uplands Village
Old Wharton Nursing Home
Pleasant Hill, TN

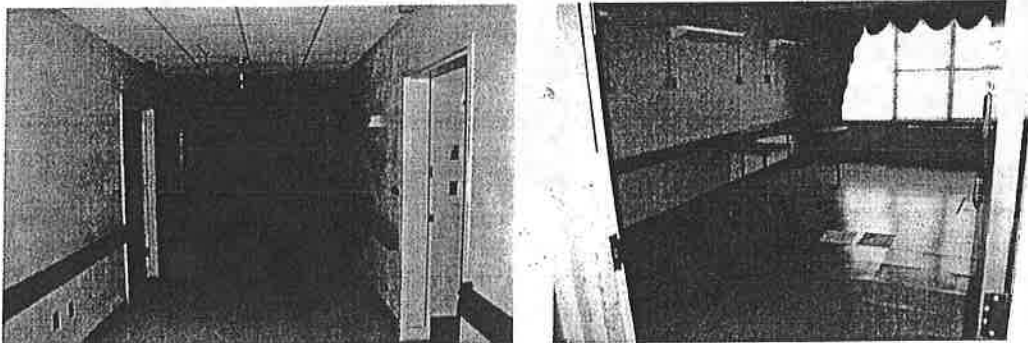


C Interiors

The interior of the building is predominately concrete block wall construction with some drywall/stud wall construction. While showing some signs of its age it is in overall good condition. It is expected that the adaptive reuse of the building will result in considerable rearrangement of spaces to accommodate its new function. In areas where new functions can be located in existing spaces the construction will function well without major need for renovation.

The stairs in the building appear adequate to meet the necessary egress requirements in size. Handrails do not meet current codes and will need replacement with any building renovation.

The building interior finishes have undergone renovations in the past so the finishes are not typically original to the building. In the lower level wing housing the administrative offices the finishes are in better condition than the remainder of the building. However, with the extent of renovation that would be needed to adaptively reuse the upper level for patient rooms the areas below will need to be removed and replaced to facilitate this work. This would effectively result in the need for the majority of the buildings existing finishes needing to be replaced with the renovation project.



D Systems 1

The existing elevator appears to have been out of service for some time. It is doubtful that it would be cost effective to try to upgrade the existing system and would be more cost effective to replace with an all new elevator. The elevator equipment room currently houses services not required for the elevator operation. Current codes will require that these services be relocated outside of the elevator equipment room.

Systems 2

Refer to attached from Maffett Loftis Engineering.

Systems 3

Refer to attached from Maffett Loftis Engineering.

**March 28, 2014****10:15 am**

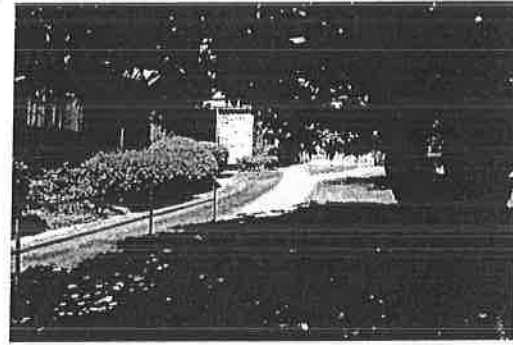
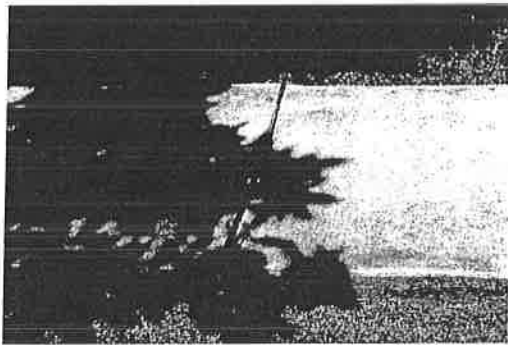
Building Survey/Evaluation
Uplands Village
Old Wharton Nursing Home
Pleasant Hill, TN

General 1

There is little equipment or furnishings remaining in the facility other than what is needed for the administrative offices on the lower level. With the conversion to a rehabilitation facility it is likely that new equipment and furnishings will be required and will be determined as needed for the design.

General 2

The site amenities are in good condition overall with good access and parking. A detailed land topographic survey will be needed if the adaptive reuse project moves forward to further evaluate handicap access. It appears that a number of the walks do not meet the maximum slope requirements so accessible routes will need to be established. Existing handrails at ramps are in poor condition and do not meet minimum ADA requirements. They should be replaced along with the building renovation.



There was some discussion in one of the early meetings with the Committee that there may be some storm water drainage issues at adjacent property caused by this site. The topographic survey will assist in further study of this issue if it is still presenting a problem. Currently the 1960's addition utilizes underground storm drainage to capture roof rain water; however the original building does not. This may be adding to potential offsite drainage problems. A full storm drainage system is recommended to capture and properly drain.

Architectural Conclusions/Recommendations

In evaluating a building for adaptive reuse a number of factors affect the final determination.

1. Is the building large enough to meet the new use?
2. Is it in a location to serve the need it is intended to meet?
3. Is the site adequate?
4. Are the "bones" of the building in good condition to allow for another 50 years of use?
5. How does the cost of the renovation compare to a new structure?

March 28, 2014**10:15 am**

Building Survey/Evaluation
Uplands Village
Old Wharton Nursing Home
Pleasant Hill, TN



Further in this report there are floor plans of the existing building along with very preliminary diagrammatic design plans showing areas of possible use for the new rehabilitation facility. These areas were taken from a preliminary space program provided by Uplands Village staff. These plans are in no way meant to be a final design but to serve as a tool to show if the building is adequate for reuse.

It is our opinion that the building will meet the physical needs to allow for its reuse as a rehabilitation facility with a full building renovation and reconfiguration of spaces to meet new functional requirements, especially on the upper level. The included diagrammatic plans show potential layouts and uses for the spaces. The upper level could house the patient rooms, rehabilitation areas, food service and offices as discussed with the staff. The lower level can continue to house administrative offices, storage and maintenance.

Architectural Renovation Recommendation Items

The following items are minimum recommended architectural renovation work needed to bring the existing building up to modern standards. Refer to recommendations from Maffett Loftis for building MP&E systems upgrades required.

- Exterior

- New roof and additional insulation
- New gutters and downspouts
- New thermally broken insulated glass windows
- New paint & caulking
- Repair damaged brick
- Install brick control joints

- Interior

- Redesign of spaces for new functional requirements
- New finishes (ceilings, paint, flooring, etc.)
- New doors & hardware to meet ADA requirements
- New kitchen equipment
- New casework and cabinetry as required
- New stair railings
- New elevator

- Site

- Rework site access to meet ADA slope requirements
- Replace ramp railings
- Repair/replace damaged sidewalks
- Upgrade parking to meet ADA requirements
- Provide storm drainage system to all downspouts



Maffett Loftis Engineering, LLC
231 East Broad Street, Suite 102,
Cookeville, TN 38501
Tel: (931) 526-5143, Fax (931) 526-5153
www.maffett-loftis.com

Mechanical, Plumbing, Electrical, Fire Protection, and Fire Alarm Report

Inspection Date: March 27, 2013

Uplands Retirement Village

(Old Wharton Nursing Home)

55 West Lake Road

Pleasant Hill, TN 38578

Assumed Construction Timeline based on Provided Plans**1957 Original Construction of "T" Section:**

- Central Hot Water Boiler and Pumps
 - Natural Gas Fired
- Two-Pipe Heat-only Distribution System
- Heat-only Fan-coil Units
- Cast-iron Sewer
- Copper Domestic Water
- 4" Transite Water Main
- Installed 800 amp 208 volt 3 phase service
- Simplex fire alarm system installed
- Nurse call installed

1966 "Y" Addition

- Extended Two-Pipe Heat-only Distribution System into Addition
- Heat-only Fan-coil Units
- Toilet Exhaust Vented up through roof
- 4" Transite Water Main rerouted from beneath Addition footprint
- 3" DW Routed into new Addition
- Cast-iron Sewer
- Copper Domestic Water
- Flush Tank Room Toilets with wall-mounted Bedpan Cleaner above
- Installed 2nd 800 amp 208 volt 3 phase service
- Fire alarm system extended into "Y" addition
- Nurse call extended into "Y" addition

1990 Phase One Mechanical Upgrades (Throughout "T" and "Y" Sections)

- Installed Air-Cooled Packaged Chiller – 71 Tons Nominal
- Converted to Four-Pipe Hydronic System
- Installed Heating / Cooling Unit Ventilators with Outside Air provisions
- Installed Three Air Handlers with Duct Systems to serve Business Offices on Ground Floor of "T".
- Installed nominal 5 ton Roof-top Gas Package Unit to serve Dining Area on Upper Floor of "T".

March 28, 2014**10:15 am**

- Installed nominal 10 ton Roof-Top Gas Package Unit to serve Kitchen on Upper Floor of "T".
- Fixed Speed HW and CW Pumps. Coils with Three-way Valves
- Installed new 400 amp 208 volt 3 phase service for Chiller
- Installed new 150 amp 208 volt 3 phase service for root top HVAC units

1992 Phase Two Lighting, Ceiling, and Fire Sprinkler Upgrades

- Fire Sprinkler System extended into "T" Section. "Y" Section had been sprinkled at some point prior to 1992.
- Installed new life safety emergency generator and automatic transfer switch
- Installed T12 fluorescent lighting

1994 Dishwash Room Renovation

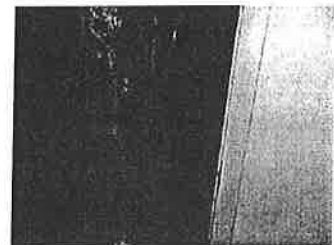
- Converted Activities Room on Ground Floor of "Y" into Dishwash Room
- Installed Air-handling Unit with Duct System to accommodate area loads
- Installed Dishwasher Exhaust Hood
- Installed gas-fired Water Heater
- Installed Grease Trap and sewer line to existing Manhole

Recent Projects (within last five years?)

- Ground Floor of the "Y" Section reoccupied for Office Use.
- Hydronic CW and HW Piping and Equipment (Unit Ventilators) abandoned in place
- Through-wall PTAC units installed in Rooms (A/C with Electric Resistance Heat Only). No Ventilation provisions
- Common Spaces served by Ductless Mini-Split Units. No provision for Ventilation
- Domestic water piping abandoned in place. CPVC piping connected at water service entrance and routed to serve toilets and sinks. Much of the CPVC piping is surface mounted and exposed in the occupied spaces.
- Building is connected to a Private Sewer Treatment System. It was described that this private system has been upgraded recently and in good condition.

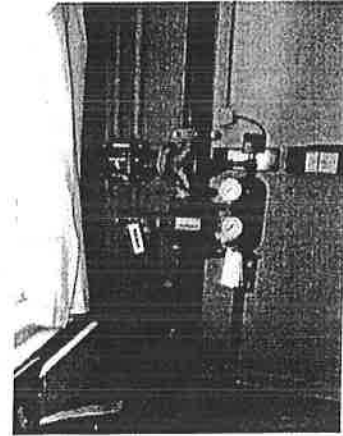
General Comments

1. A complete Hazardous Materials Survey must be completed on the facility prior to considering the reuse of any mechanical or plumbing piping or equipment. It appears very likely that much of the pipe insulation is asbestos.
2. The "T" Section has been shut down and isolated for several seasons. This section of the building has been without heat, cooling, or ventilation. Several pipes were noted to be ruptured having been frozen. It is safe to assume that all water piping and equipment has been subjected to freezing and is therefore unsuitable for reuse. This includes hydronic as well as domestic water systems.
3. The complete Upper Level of the "Y" Section and the Lower Level Wing of the "Y" Section that houses the Laundry are shut down. These sections of the building have been without heat, cooling, or ventilation. It is probable that water containing equipment and piping has been damaged due to freezing.

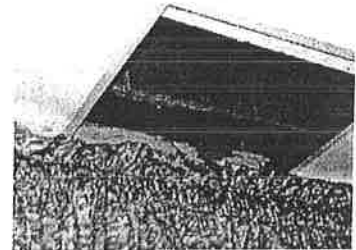


March 28, 2014**10:15 am**

4. It appears that the Fire Sprinkler systems in both the "T" and "Y" Sections have been drained. These are fed from a common sprinkler riser which indicates that the water has been shut off at the street. The Post Indicator Valve was noted to be closed. It is possible that some of this piping may be suitable for reuse. But trapped sections (drops to sprinkler heads) may still contain water and could have been damaged due to freezing. It is recommended that a fire sprinkler contractor be commissioned to provide a detailed fire sprinkler survey beginning with a air-pressure test. If the system passes a pressure test, or can be easily made to hold pressure, the sprinkler piping considered for reuse should be opened up in several locations and tested for internal (MIC) corrosion.



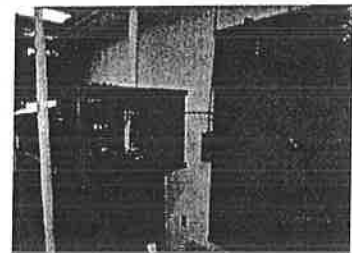
5. The Attic Space above the "Y" Section has sidewall vents indicating that the space was intended to be naturally ventilated. Sprinkler piping is routed through this attic. It seems likely that the sprinkler piping would be subjected to freezing temperatures even if the building was occupied.
6. There does not appear to be any roof insulation in the Attic Space above the "Y" Section. There may be insulation above the roof decking, but this is above a ventilated attic. Insulation does not exist at the level of the acoustical tile ceiling.



7. Approximately half of the Lower Level of the "T" Section is unoccupied crawl-space. This crawl-space must have experienced some form of water or humidity problems because there is an exhaust fan in the front of the building which pulls a negative pressure on the space. It appears that this fan is intended to ventilate the crawl-space. It is not evident how effective this system is at minimizing the problem.



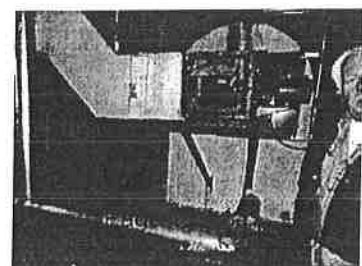
8. The Elevator Machine Equipment is not installed in a dedicated Elevator Machine Room. Rather it is located in a general utility space with electrical and plumbing equipment. Code requires a dedicated room for the Elevator Equipment, thus a floor plan reconfiguration is required. Also, the Elevator Equipment is partially disassembled for some reason. It appears to require significant repair.



9. The toilet rooms in the "Y" Section have hard plaster ceilings. These will need to be removed in order to access piping and exhaust ventilation ductwork.

Existing HVAC Conditions:

1. Boilers
 - a. These are long past their useful service and need to be removed.

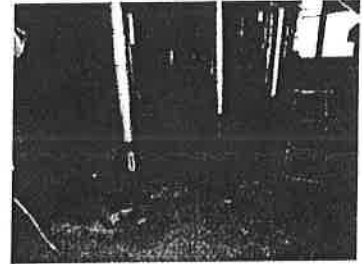


March 28, 2014

10:15 am

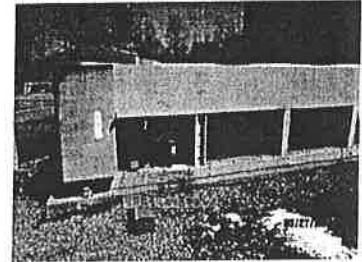
2. Heating Water Pumps and Distribution Systems

- a. There may be a small salvage value for the pumps, but any new hydronic system design would be mistaken to not include new pumps.
- b. Given the potential for damage due to freezing, all hydronic piping should be removed.



3. Chiller

- a. The chiller has passed its useful life. It appears doubtful that it could be restarted. It should be removed.

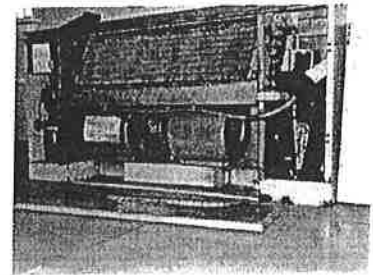


4. Chilled Water Pumps and Distribution System

- a. There may be a small salvage value for the pumps, but any new hydronic system design would be mistaken to not include new pumps.
- b. Given the potential for damage due to freezing, all hydronic piping should be removed.

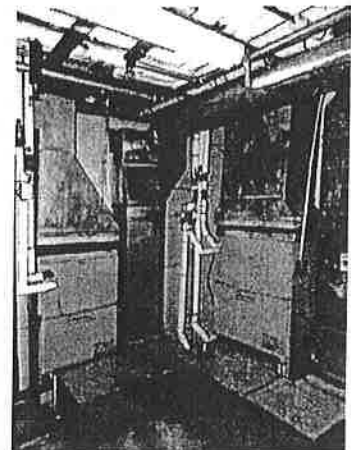
5. Fan-coil Units and Unit Ventilators

- a. These units have passed their useful life. Further, they are of an out-dated and inefficient configuration and should be removed. They have three-way control valves instead of modern two-way valves.
- b. The Unit Ventilators have manually set outdoor air dampers. These appeared to be of very poor quality and dysfunctional. Modern units are more efficient.
- c. It was noted that several of the units do not have provisions of outdoor ventilation air at all.



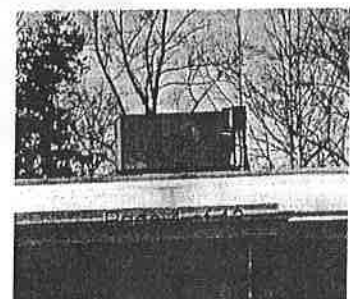
6. Air-Handling Units and Ductwork

- a. There are several Air-Handling Units with ductwork serving Common areas, Office areas, and specific use areas. These units have passed their useful life. Further, they are of an out-dated and inefficient configuration and should be removed. They have three-way control valves instead of modern two-way valves.



7. Roof-top Package Units

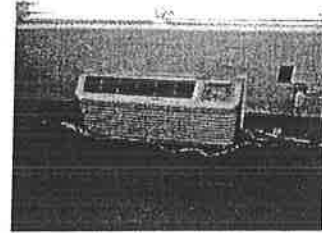
- a. These units have passed their useful life and should be removed.



March 28, 2014**10:15 am**

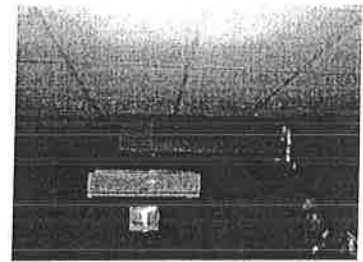
8. Room PTAC Units (Offices on Lower Level of "Y")

- a. These units are fairly new, and have a useful life expectancy remaining. But they use straight electric heat which is very inefficient, and they do not provide for ventilation air which is a code violation (unless ventilation is provided for in some other fashion – which it is not). Further, these PTAC units were installed in a very crude manner. Depending on the future use of these offices, these should be considered to be removed.



9. Ductless Mini-Split Units (Common Areas on the Lower Level of "Y")

- a. There are several Ductless Mini-Split Units that have been installed to serve the common spaces of the Offices on the Lower Level. These are relatively new and have useful service life remaining. But these do not provide for ventilation air as required.



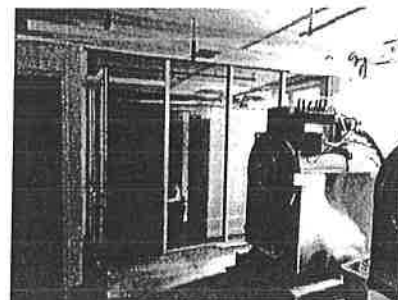
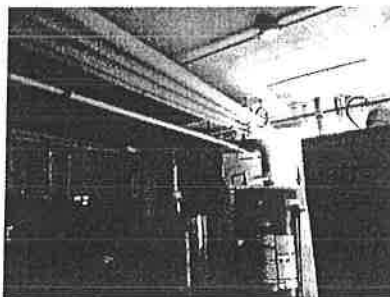
10. Kitchen Exhaust Hood

- a. This unit has exceeded its useful life and should be removed. The fire suppression system is outdated and needs to be upgraded. The hood itself is rusting and is in generally poor condition. It is assumed that the exhaust and make-up air fans are in similar shape.
- b. The configuration of the Hood is an "island" type. This type hood has proven to be very inefficient, and of poor overall performance. A reconfiguration of the kitchen equipment should be considered so to allow for a better layout with a better performing hood.



11. Laundry Area in Lower Level of "Y" Section.

- a. Previous projects attempted to separate the Clean (Clothes Dryer) zone from the Dirty zone (Clothes Washer), but it is difficult to think that the present configuration worked per code. Make-up air is not provided to the Clean zone. Further, water heating equipment and other mechanical equipment are located in the clean room with the Clothes Dryers. The Laundry requires significant reconfiguration.



March 28, 2014**10:15 am****12. Toilet Exhaust Fans and Ducting**

- a. Exhaust ducting is routed to connect multiple baths together and utilize common exhaust fans. Fans will need to be brought into an overall building ventilation program which will probably require significant reconfiguration. Energy recovery systems should be considered so to minimize the energy use of the exhaust systems. Exhaust ducting is routed within finished ceilings which will require significant demolition to access.

13. Bathroom Electric Heaters

- a. These have passed their useful life and should be removed. Further, the way they are configured is dangerous. They are mounted low on the wall and present a burn hazard.

14. Natural Gas Service

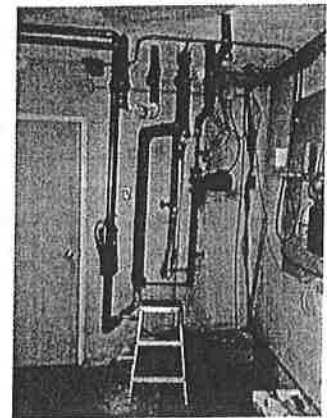
- a. Natural Gas has been used at the facility to heat the building (boilers), heat domestic water, cook, emergency electric generator, and (possibly) dry clothes.
- b. Gas piping is routed to the building in multiple of locations. Several gas meters exist, others have been removed.
- c. Future needs can be served by using gas.

Existing Plumbing Conditions**1. Water Meter and Service Lateral**

- a. The existing water meter appears to only be a ½" meter. It is connected to an older 3" line that runs into the building. There does not appear to be a Backflow Preventer in the system. This equipment will need to be upgraded to accommodate the future needs of the building.
- b. There is a separate water service entrance in a hot box located off the NE corner of the "T" Section. This service was routed into the "T" Kitchen in the past, but it has been rerouted around the north end of the "T" so to feed the building to the west. This service needs to stay in use.

2. Domestic Water Piping

- a. Originally installed domestic water piping is copper. Original lines are not active and have either but valved off or cut loose. It is likely that these lines are not suitable for reuse.
- b. CPVC piping has been installed in the Lower Level of the "Y" section in an effort to get several of the associated bathrooms operational for office purposes. These lines are active and are presently in use, but the piping was crudely installed, much of it being surface mounted. The originally installed copper piping was abandoned in place.
- c. Backflow preventers do not exist.

**3. Domestic Water Heaters**

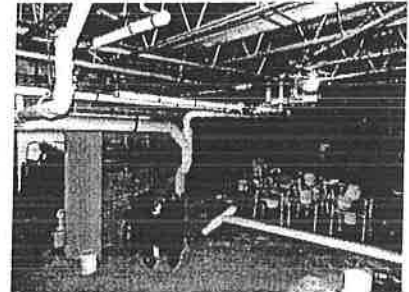
- a. There are several water heaters in the building, but only one that appears to be in use. It is located in a awkward configuration in a shower on the Lower Level of the "Y" Section. It may be suitable for reuse, but it will probably need to be relocated to suit the new floor plan.
- b. The other water heaters show signs of age and having been frozen.

March 28, 2014**10:15 am****4. Grease Traps**

- a. The Grease Trap originally installed in 1957 should be removed as it has outlived its useful life. Also, the discharge line from this tank passes back through the Lower Level of the opposite wing of the "T" Section. This grease line connects to other waste lines before exiting the building again. This is a problematic configuration. Grease Lines should ideally be routed straight to a manhole without intersecting other waste lines. If possible, this piping should be reconfigured.
- b. The Grease Trap installed in 1994 as part of the Dishroom Addition should be in better condition, and appears to be tied directly to the manhole without other waste connections. It should be in reusable condition.

5. Internal Sanitary Sewer Piping

- a. Originally installed cast iron piping, and more recently installed PVC piping is in moderate condition with much of it suitable for reuse.
- b. All piping considered for reuse would need to be rodded and internally inspected (camera).
- c. Configuration of piping would need to be modified so to accommodate new floor plans.
- d. Grease Trap discharge line noted above need to be rerouted.

**6. External Sanitary Sewer Piping**

- a. External piping between the building and the nearest manhole is thought to be that from the original installation. These lines should be considered for reuse. All piping considered for reuse would need to be rodded and internally inspected (camera).

7. Plumbing Fixtures – Toilets and Lavatories

- a. Existing Toilets are Flush Tank style. These could be suitable for reuse provided they are rebuilt with new valving. These are old style, high flow toilets that use much more water than modern (code compliant) toilets do. So if water use is a concern, then new toilets should be considered.
- b. Also Flush Valve toilets are typically used in institutional occupancies in lieu of Flush Tank. Flush Tank has more of a residential operation. But Flush Valve has a quicker response time. Flush Valve toilets require larger domestic water lines.
- c. Many Toilets include wall-mounted Bed-Pan washers. These look to be of original installation and undoubtedly need to be rebuilt. Considering their age, it may prove to be easier and cheaper to replace these in lieu of rebuilding. These may be omitted altogether based on new occupancy use.
- d. Existing Lavatories are wall hung vitreous china. Faucets appear to be original installation and show signs of needing to be replaced. ADA compliance and clearances need to be considered. ADA pipe shields and guarding for draining piping does not exist.



March 28, 2014**10:15 am****8. Showers and Tubs**

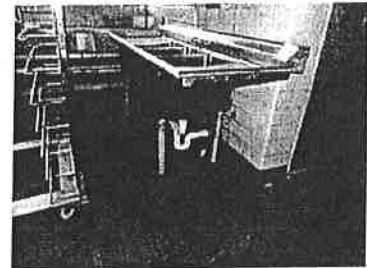
- a. ADA clearances will necessitate reconfiguration of most showers. Therefore, new fixtures should be considered.
- b. Showers have curbs that inhibit ADA access.
- c. Showers do not have seats

**9. Drinking Fountains**

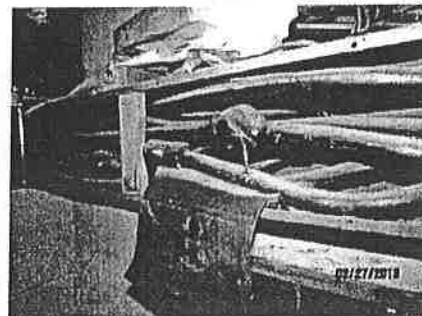
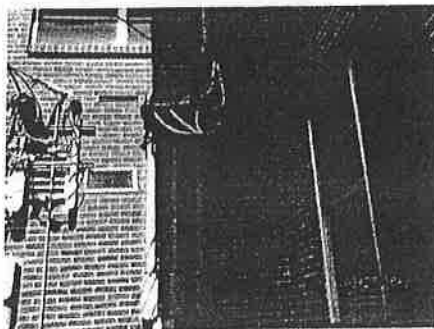
- a. There is a relatively new Drinking Fountain located in one of the meeting rooms in the Office Area on the Lower Level of the "Y". This unit appears to have useful life remaining, but it is not an ADA compliant unit. ADA compliant units will need to be installed.

10. Kitchen Equipment

- a. The Three Compartment Sink could be considered for reuse, though it needs to have new faucets and drainage piping. A garbage disposal needs to be considered.
- b. The island mounted stainless hand sink could be considered for reuse, though it needs to have a new faucet and drainage piping. The present drainage piping is a code violation.
- c. The enameled cast-iron service sink and wall-mounted porcelain hand sink could be considered for reuse, though they need to have a new faucets and drainage piping.
- d. Several floor drains in the Kitchen appear to be plugged. These may be able to be cleaned out, or may possibly require replacement. Replacement will require the floor to be excavated. This may need to be undertaken anyway if the Kitchen equipment is relocated.

**Existing Electrical Conditions**

1. The electrical utility is feed from overhead primary utilizing one three phase pole mounted transformer bank. The sounding primary lines (other than what is feeding this facility) is underground. Multiple service entrance conductors are utilized. The service conductors for the two 800 amp services have been tapped and pose a safety hazard at the junction point located in the wire-way. More disturbing is that the line side of the tap is sized only for 310 amps which feeds a combined load of 1,600 amps.



March 28, 2014**10:15 am**

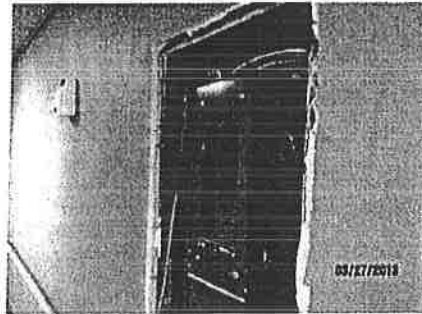
2. Service Equipment consists of the following
- Two (2) 800 amp 208 volt, 3 phase
 - One (1) 400 amp 208 volt, 3 phase
 - One (1) 150 amp 208 volt, 3 phase
 - The collective of the services seems to be adequate for the building area. An average load of this type of facility would be approximately 17.2 watt/SF. Therefore, this facility (at 41,800 SF) would require 2,000 amps.

3. Grounding

- The earth to ground resistance measured 0.4 ohms which exceeds the code minimum of 25 ohms.
- Grounding was measured using a Fluke #1630 - Earth Ground Clamp

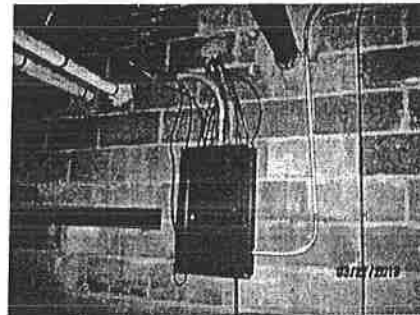
4. Sub-panels

- Most sub-panels are recessed in the corridor block walls making renovation difficult.
- Most sub-panel interiors have been replaced thus voiding the UL listing.



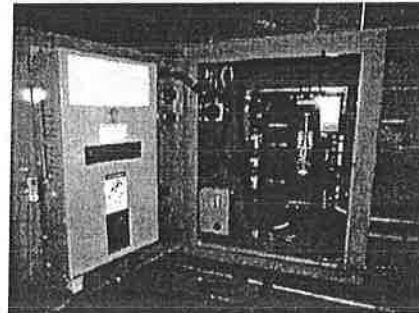
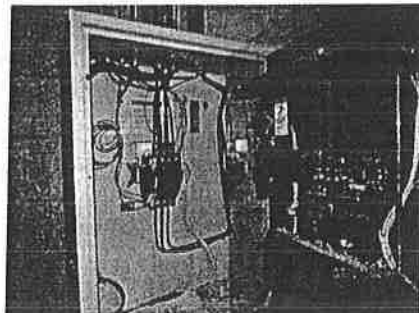
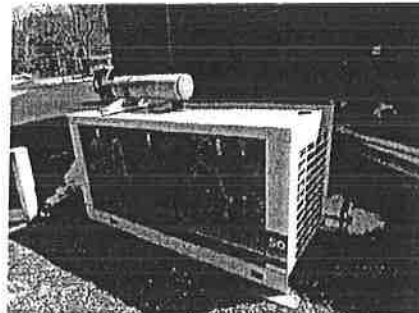
5. Wiring Method

- Feeders are stranded copper and ran in rigid metal conduit
- Branch are stranded copper and circuit are typically EMT for branch circuits. Limited NM cable was found and must be removed.



6. Generator system

- Generator a 50KW, 208 volt, 3 phase, natural gas/propane Kohler power with a weather enclosure
- There are two transfer switches.
 - One 100 amp transfer switch can be reused
 - The second transfer switch is unusable

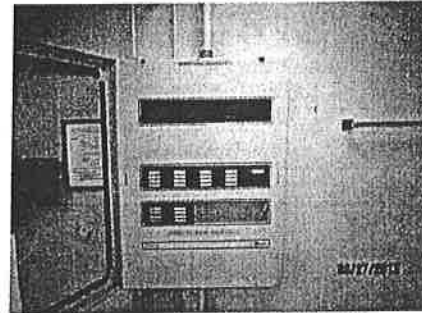


March 28, 2014**10:15 am****7. Lighting**

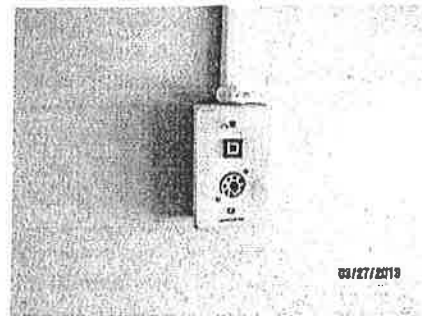
- a. Indoor lighting is linear fluorescent with a majority being 2x4 recessed utilizing T12 lamps and magnetic ballast
- b. Outdoor lighting utilizes a few decorative pole lights in front of the facility and approximately 20' metal halide pole light in the back of the facility. Also, there are a few lights mounted on the exterior of the building.
- c. Egress lighting and exit size are installed but not up to code

8. Low Voltage systems

- a. Fire Alarm is a Simplex system
 - i. Has not been inspected nor tested in several years
 - ii. The last known inspection was December 2008
 - iii. There are several code and ADA violation

**b. Communication Systems**

- i. Nurse call system
 - 1. Is an Executone system
 - 2. Pull cords are located in by each bed and in each bathroom
 - 3. Nurse call lights are located in the corridor for each sleeping room.

**c. Data Systems**

- i. There is a limited data wiring system for the occupied office area

Existing Fire Sprinkler Conditions**9. Fire Sprinkler System**

- a. Wet System
- b. Single Riser serving all spaces
- c. Mains - Victaulic Piping
- d. Branches – Black Iron and Galvanized Steel

10. The existing Fire Main run-in is noted to be 4" diameter.

11. The existing Sprinkler Riser incorporates an antiquated alarm check valve with a water-motor gong. Fire Alarm notification is provided through a pressure switch.

12. A Post Indicator Valve is located in the front yard outside of the room with the sprinkler riser. The valve is shut.

13. There is a Fire Department Connection located on the exterior wall of the room with the Sprinkler Riser. But there does not appear to be a compliant Fire Hydrant within 100 feet of this FDC.

14. System has been shut off and hopefully drained.

HVAC Recommendations:

1. Except for the Lower Level of the "Y" section, complete new HVAC systems will need to be installed in this facility. Depending on use, the Lower Level of the "Y" section may need upgrades and replacements as well.
 - a. Configuration of the new HVAC system will depend on the intended occupancy.
 - b. It seems logical that the Patient Rooms shall be limited to the Upper Level of Sections "T" and "Y", with the Lower Level dedicated to Office and Support areas.
2. Exhaust Systems and Energy Recovery:
 - a. Ventilation and exhaust requirements vary significantly between different occupancy types. Future design will depend on intended occupancy and use.
 - b. Pressure relationships between spaces are handled differently between occupancy types.
 - c. Given the high rates of ventilation air that is required for health care occupancies, and the associated high energy use, considerations for incorporating Exhaust and Ventilation air systems through Energy Recovery Equipment should be considered.
3. Options for the HVAC systems in the Patient Rooms:
 - a. Option One: New four-pipe hydronic system with new boiler, chiller, unit-ventilators, piping, pumps, controls, and exhaust systems.
 - i. This would be a very conventional system for a institutional application.
 - ii. Installation cost would be moderate to high.
 - iii. Overall efficiency would be good to better.
 - iv. Maintenance cost moderate to high.
 - v. Complexity would be moderate to high, but allows for central control.
 - b. Option Two: New Unitary through-wall, PTAC / heat-pump units in each Patient Room with new exhaust systems. (Geothermal heat-pumps could be considered, but these will significantly increase the installation cost).
 - i. This would be a convention system but considered more of a hotel, residential quality.
 - ii. Installation cost would be low to moderate.
 - iii. Overall efficiency would be moderate.
 - iv. Maintenance cost would be low.
 - v. Complexity would be low but does not allow for central control. Each heat-pump would have independent control.
 - c. Option Three: New Variable Refrigerant System with separate ventilation and exhaust air systems.
 - i. This is a newer style system and thus has not been widely used as yet.
 - ii. Installation cost would be high.
 - iii. Overall efficiency would be better.
 - iv. Maintenance cost would be moderate.
 - v. Complexity would be high.
4. HVAC systems in the Office and Support Areas
 - a. Kitchen area
 - i. Install new roof-top gas-package unit with required ventilation air capability.
 - ii. Install new Kitchen Exhaust Hood with make-up air and exhaust fans. Configure layout so to utilize a wall-shelf hood instead of an island hood.
 - b. Dining areas
 - i. Install new roof-top gas-package unit(s) with required ventilation air capability
 - c. Laundry area
 - i. Utilize localized equipment and configure to comply with clean / soiled room pressurization requirements. Equipment can be connected to boiler / chiller loops if available.

March 28, 2014**10:15 am**

- d. Dishwash area
 - i. Utilize localized equipment and configure to comply with clean / soiled room pressurization requirements. Equipment can be connected to boiler / chiller loops if available.
- e. Section "T" Lower Level Office areas
 - i. Utilize localized equipment and configure to comply with ventilation air requirements. Equipment can be connected to boiler / chiller loops if available.
- f. Section "Y" Lower Level Office areas
 - i. Option One: Utilize existing through-wall air conditioners and install new systems to provide ventilation air through the hallway.
 - ii. Option Two: Utilize localized equipment and configure to comply with ventilation air requirements. Equipment can be connected to boiler / chiller loops if available.

Plumbing Recommendations:

1. Except for the potential of reusing some of the individual plumbing fixtures (toilets and lavatories), complete new plumbing systems will need to be installed in this facility.
 - a. Many of the Toilet fixtures could be considered for reuse provided they are rebuilt with new seats, gaskets, and valving. Flush Tank verse Flush Valve needs to be considered.
 - b. Many of the Lavatory fixtures could be considered for reuse provided they are rebuilt with new faucets, drainage piping, and ADA piping covers.
 - c. ADA clearances will necessitate reconfiguration of most toilet rooms. Therefore, new fixtures should be considered. If a fixture is required to be relocated, then it is more difficult to consider reusing it.
2. Replace existing Domestic Water Meter. Size per future load.
3. Replace water line into building. Provide complaint Backflow Preventer.
4. Replace all Domestic Water Piping, including originally installed copper and more recently installed CPVC.
5. Replace all Domestic Water Heating equipment, with the possible exception of the heater presently being used for the Office area in the Lower Level of the "Y". (Though this water heater will most likely need to be relocated).
6. Configure Hot Water Heating systems on Recirculation Loops
7. Consider dedicated Hot Water Heater for Kitchen (180 F)
8. Consider dedicated Hot Water Heater for Laundry (160 F)
9. Relocate / Rebuild / Replace all Toilets considering ADA requirements based on new floor plans.
10. Replace showers and tubs and associated faucets and drains considering ADA requirements based on new floor plans.
11. Replace the Grease Trap that serves the Kitchen. Reroute discharge line directly to the Manhole if possible.
12. Reuse as practical the existing cast iron sewer lines. Replace all galvanized steel nipples and fixture connections. Reconfigure sewer piping as required to accommodate new floor plans. Consider PVC replacement piping as practical.
13. Open all existing sewer clean outs and thoroughly rod, camera, and inspect. Do this for both internal and external lines that are considered for reuse.
14. Install new Drinking Fountains considering ADA requirements.
15. Reuse, rebuild, replace all Kitchen plumbing and equipment based on future Kitchen plan.
16. Test and replace any failed drain lines and/or floor drains in the Kitchen

Electrical Recommendations:

1. All electrical services and distribution equipment need to be replaced with new service rated switch gear to accommodate the new design and/or use of the facility
2. New underground service entrance conductors need to be ran from the utility transformer
3. The overhead utility lines should be installed underground to match the surrounding power lines
4. Sub-panels need to be replaced with new panels are UL listed. The re-use of branch circuit conduits above ceilings would be acceptable
5. The re-use of branch circuit conduits in the concrete walls to light switch (where ADA compliant) and receptacle outlets would be recommended
6. Feeders to some sub-panels and equipment would be acceptable for re-use as long as future design allowed their current locations to remain
7. Install new elevator and equipment, disconnects, and feeders to match requirements of adopted codes
8. Contract with Kohler to test the generator for usability. However, the generator may not be meet today's code requirements as well as not large enough
9. Replace the inefficient T12 lighting and install new T8 or T5 fluorescent lighting through-out the facility
10. Install adequate exterior lighting to meet at least an average of 1 FC in parking areas
11. Install new exit lighting through-out the facility
12. Due to the age and condition of all low voltage systems, it is recommended to install new systems throughout the facility to include the following: data, telephone, nurse call, and fire alarm

Fire Sprinkler Recommendations:

1. Depending on the results of a detailed Fire Sprinkler survey, sections of the Fire Sprinkler system could be considered for reuse.
2. It is recommended to commission a Fire Sprinkler Contractor to perform an air pressure test on the system.
3. For the sections of the system that are capable of holding pressure, consider them for reuse. Commission the Fire Sprinkler Contractor to inspect the piping for internal (MIC) corrosion. For those sections that pass inspection, consider reuse.
4. Replace all piping which fails inspection.
5. Replace all Sprinkler Heads on sections of failed piping.
6. Reconfigure Riser so to incorporate a compliant Backflow Preventer with monitored control valves and flow switch.
7. Consider separating system so that each floor has its own control valve and flow switch.
8. Consider installing Standpipes in the stairwells with Fire Department Hose Connections. This actually may be a Code requirement depending on future occupancy and use classifications.
9. Reconfigure the Sprinkler Head layout so to accommodate new floor plan changes and/or reflected ceiling changes.
10. A compliant Fire Hydrant needs to be installed within 100 feet of the Fire Department Connection.
11. Depending on the hydraulic calculations and available water supply flow and pressure, the existing 4" fire main may need to be upsized to a 6" water main.

END OF REPORT

March 28, 2014

10:15 am

AFFIDAVIT

STATE OF Tennessee

COUNTY OF Cumberland

Al Griffin being first duly sworn, says that he/she is the applicant named in this application or his/her/its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.

Al Griffin /Director of Financial Services
SIGNATURE/TITLE

Sworn to and subscribed before me this 27th day of March 2014 a Notary
(Month) (Year)

Public in and for the County/State of Cumberland

Brenda J. Fry
NOTARY PUBLIC

My commission expires December 6 2016
(Month/Day) (Year)





State of Tennessee
Health Services and Development Agency

Andrew Jackson Building, 9th Floor

502 Deaderick Street

Nashville, TN 37243

www.tn.gov/hsda

Phone: 615-741-2364

Fax: 615-741-9884

LETTER OF INTENT

The Publication of Intent is to be published in the Crossville Chronicle which is a newspaper
(Name of Newspaper)
of general circulation in Cumberland, Tennessee, on or before March 7, 2014,
(County) (Month / day) (Year)
for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that:

Wharton Nursing Home
(Name of Applicant)

Nursing Home
(Facility Type-Existing)

owned by: Uplands Village with an ownership type of 501(c)(3) non-profit corporation

and to be managed by: Uplands Village intends to file an application for a Certificate of Need
for [PROJECT DESCRIPTION BEGINS HERE]:

Uplands Village is a continuing care retirement community providing a continuum of care for residents in independent living, assisted living, intermediate care, and skilled nursing care. On the campus of Uplands Village is 62 bed Wharton Nursing Home at 878-880 W. Main Street, Pleasant Hill, TN. The proposed project is to relocate 31 nursing home beds to an adjacent building on the campus. The 62 licensed nursing home beds will be operated in the two buildings under Wharton Nursing Home's current license. The proposed project will also include renovations for physical/occupational therapy and wellness gyms, a kitchen and dining facility, and spaces for central supply, maintenance, and administrative offices. The estimated project cost is \$5,100,000.

The anticipated date of filing the application is: March 12, 2014

The contact person for this project is Al Griffin Director of Financial Services
(Contact Name) (Title)

who may be reached at: Uplands Village PO Box 168
(Company Name) (Address)

Pleasant Hill
(City)

TN

(State)

38578

(Zip Code)

(931) / 277-3518

(Area Code / Phone Number)

Al Griffin
(Signature)

03/07/2014

(Date)

agriffin@uplandsvillage.com

(E-mail Address)

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

**CERTIFICATE OF NEED
REVIEWED BY THE DEPARTMENT OF HEALTH
DIVISION OF POLICY, PLANNING AND ASSESSMENT
615-741-1954**

DATE: May 31, 2014

APPLICANT: Wharton Nursing Home
878 West Main
Pleasant Hill, Tennessee 38578

CN1403-006

CONTACT PERSON: Al Griffin, Director of Financial Services
Uplands Village
P.O. Box 168, 86A Church Drive
Pleasant Hill, Tennessee 38578

COST: \$5,100,000

In accordance with Section 68-11-1608(a) of the Tennessee Health Services and Planning Act of 2002, the Tennessee Department of Health, Division of Policy, Planning, and Assessment, reviewed this certificate of need application for financial impact, TennCare participation, compliance with *Tennessee's State Health Plan*, and verified certain data. Additional clarification or comment relative to the application is provided, as applicable, under the heading "Note to Agency Members."

SUMMARY:

The applicant, Wharton Nursing Home, located at 878 West Main Street, Pleasant Hill (Cumberland County), Tennessee, seeks Certificate of Need (CON) approval to relocate 31 of its 62 dually-certified nursing home beds from 878 – 880 West Main Street, to an adjacent vacant building at 55 West Lake Road on their campus. The 31 beds will be used primarily for SNF services but will remain dually certified. The 62 licensed beds will be operated in the two buildings under Wharton Nursing Home's current license. The 31 vacated beds will be converted into a memory care assisted living unit.

The renovated facility will have 31 private beds. Each room will vary in size from 281 square feet to 311 square feet per bed including self-contained baths and closets. The renovated facility will also include physical therapy and wellness gyms, dining services for both the residents in the facility as well as the independent living residents, and administrative and support areas. The 31 converted memory care assisted beds will consist of 18 semi-private beds and 13 private beds and is projected to begin the assisted living licensing process in early 2015.

The total square feet of space to be renovated is 42,415 square feet and is estimated to cost \$90 per square foot. The 2010-2012 HSDA Nursing Home renovation cost per square foot chart is located in Supplemental 1 of the application.

Wharton Nursing Home is owned by Uplands Village, a continuing care retirement community (CCRC) providing independent living, assisted living, intermediate care, and skilled nursing care. Uplands Village is a not-for-profit, 501(c)(3) corporation.

The estimated total project cost is \$5,100,000 and will be funded by a United States Department of Agriculture (USDA) loan of \$6,500,000 as stipulated in a letter from the State Director of USDA on page A.25 of the application.

GENERAL CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all of the general criteria for Certificate of Need as set forth in the document *Tennessee's State Health Plan*.

NEED:

The applicant's primary service area consists of Cumberland and White counties. The secondary service area includes Bledsoe, Fentress, Morgan, Overton, Putnam, Rhea, Roane, and Van Buren counties.

The applicant's long-range plan includes the renovation and relocation of 31 beds and the development of a 31 bed memory care assisted living unit in the vacated beds in the current facility. Additionally, the applicant's long-range plan includes the construction of an aquatic therapy facility to be used by the residents.

Primary and Secondary Service Area Population Projections for 2014 and 2016

County	2014 Population	2016 Population	% Increase/ (Decrease)
Primary			
Cumberland	57,815	58,913	1.9%
White	26,871	27,387	1.9%
Primary Total	84,686	86,360	2.0%
Secondary			
Bledsoe	12,641	12,586	-0.4%
Fentress	18,404	18,699	1.6%
Morgan	21,848	21,909	0.3%
Overton	22,489	22,711	1.0%
Putnam	77,024	79,829	3.6%
Rhea	33,392	34,128	2.2%
Roane	54,006	54,191	0.3%
Van Buren	5,450	5,446	-0.1%
Secondary Total	245,254	249,499	1.7%

Source: *Tennessee Population Projections 2000-2020, June 2013 Revision, Tennessee Department of Health, Division of Policy, Planning, and Assessment-Office of Health Statistics*

Primary and Secondary Service Area 65 and Older Population Projections for 2014 and 2016

County	2014 Population	2016 Population	% Increase/ (Decrease)
Primary			
Cumberland	15,838	15,852	0.1%
White	5,051	5,192	6.4%
Primary Total	20,889	21,044	0.6%
Secondary			
Bledsoe	2,271	2,418	4.1%
Fentress	3,566	3,713	8.5%
Morgan	3,436	3,624	5.5%
Overton	4,279	4,438	3.7%
Putnam	11,691	12,044	3.0%
Rhea	5,982	6,417	7.3%
Roane	11,422	11,942	4.6%
Van Buren	1,118	1,192	6.6%
Secondary Total	43,765	45,788	4.6%

Source: *Tennessee Population Projections 2000-2020, June 2013 Revision, Tennessee Department of Health, Division of Policy, Planning, and Assessment-Office of Health Statistics*

The primary service area age 65 and older population is estimated to increase by 0.6% from 2014 to 2016. The secondary age 65 and older population is estimated to increase by 4.6% from 2014 to 2016.

The applicant provides a demand analysis conducted by CliftonLarsonAllen, which justifies the need for at least 14 short stay beds within Cumberland County alone in addition to the current bed total of the service area.

In performing their analysis, CliftonLarsonAllen interviewed professionals in and around Cumberland County which included case managers from area hospitals. These interviews indicated Uplands has a strong reputation in the community and a need for additional skilled rehab beds at Uplands for consumers who want to stay close to their homes.

Based on the demand analysis, Uplands believes they will continue to have a strong enough referral source from area hospitals to maintain a census of approximately 22 Level 2 patients per day during the first year after the project completion and 28 – 29 Level 2 patients the second year. Based on an average length of stay of 20 days for Level 2 patients, Uplands anticipates 402 (8,030 /20 day ALOS) admissions in year one and 525 (10,525 days/20 day ALOS) admissions during the second year.

Primary Service Area Nursing Home Utilization 2012 Final

Nursing Home	Licensed Beds	2012 Patient Days	Licensed Occupancy
Good Samaritan-Fairfield Glade	30	8,930	81.6%
Life Care Center of Crossville	122	32,604	73.2%
Wharton Nursing Home	62	21,264	94.0%
Wyndridge Health and Rehabilitation	157	48,787	85.1%
Life Care Center of Sparta	100	31,593	86.6%
NHC Healthcare-Sparta	120	35,180	80.3%
Total	591	178,358	83.4%

Source: Joint Annual Report of Nursing Homes 2012, Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics

Wharton Nursing Home's 2012 total occupancy was 94%, while the overall nursing home total occupancy for the 591 service area licensed beds was 83.4%.

TENNCARE/MEDICARE ACCESS:

The applicant will continue to participate in the Medicare and TennCare/Medicaid programs. Services to medically indigent patients are provided through funds maintained by Uplands Village's Benevolent Care Policy via donated funds restricted by the donor for benevolent purposes.

ECONOMIC FACTORS/FINANCIAL FEASIBILITY:

The Department of Health, Division of Policy, Planning, and Assessment has reviewed the Project Costs Chart, the Historical Data Chart, and the Projected Data Chart to determine if they are mathematically accurate and the projections are based on the applicant's anticipated level of utilization. The location of these charts may be found in the following specific locations in the Certificate of Need Application or the Supplemental material:

Project Costs Chart: The Project Costs Chart is located on page 23 of the application. The total project cost is estimated to be \$5,100,000.

Historical Data Chart: The Historical Data Chart is located in Supplemental 1, page S.23. The applicant reports net operating income of \$573,068, \$366,627 and \$161,437 in years 2011, 2012, and 2013, respectively.

Projected Data Chart: The Projected Data Chart is located on page S.24 of the Supplemental 1. The applicant projects 21,045 patient days in year one and 21,050 patient days in year two with net operating revenues of \$183,725 and \$600,512 each year, respectively.

The applicant compared their proposed charges to other nursing homes on page 29 of the application. Medicare reimbursement for skilled nursing services varies based on the Resource Utilization Group (RUG). The RUG is based on the resources the resources provided for the care of residents. The applicant provided the RUG Reimbursement Chart on page S.26 of Supplemental 1.

The applicant reports there was no alternative to this project except to continue to provide services in the current location. This project allows Uplands Village to provide SNF services in a separate unit from ICF services. Additionally, it allows Uplands Village to provide memory care assisted living services which are not currently available in the service area.

The applicant considered both new construction and renovating the current vacant facility. Renovation was found to be \$2,500,000 lower than the cost of new construction.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTHCARE:

The applicant provides a list of all providers, managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships on page 31 of the application.

The applicant states this proposal will have a positive effect on the healthcare system in Cumberland and White counties, despite the fact that no new ICF/SNF beds are being proposed. The addition of memory care assisted living services to Cumberland and White counties will meet an unmet need.

The applicant provides the proposed staffing for the project on pages 31 and 32 of the application. At the request of HSDA staff, the applicant provides a Daily Staff Posting chart on page S.27 of Supplemental 1.

Wharton Nursing Home is licensed by the Tennessee Department of Health, Board for Licensing Healthcare Facilities and accredited by CMS.

The most recent licensure survey is provided in Attachment C, Contribution to Orderly Development of Healthcare.7.d. A plan of corrections for deficiencies cited on 8/12-14/13 was approved on 11/21/13.

Wharton has a 5-star overall rating per CMS' Nursing Home Compare.

SPECIFIC CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all relevant specific criteria for Certificate of Need as set forth in the document *Tennessee's State Health Plan*.

CONSTRUCTION, RENOVATION, EXPANSION, AND REPLACEMENT OF HEALTH CARE INSTITUTIONS

1. Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.

This criterion is not applicable.

2. For relocation or replacement of an existing licensed health care institution:

- a. The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.

The proposed addition of a memory care assisted living center is a future addition to the continuum of care of Uplands Village CCRC. The location for the new program will be in a household that is distinct and separated from the Level 1 and Level 2 skilled service areas. The space is designated for the memory assisted living is designated to meet all the physical requirements for the Eden Alternative household model of services. Uplands Village will begin the project in early 2015. The location will provide superior, secure space for meeting the needs of elders who do not need the extensive care of a nursing home but who have receive an irreversible dementia diagnosis and need appropriate care for that diagnosis.

Uplands Village considered using the renovated building but determined the current location of 31 of the Level 1 and Level 2 beds to be moved was far superior for implementing the Eden Alternative.

- b. The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.

The applicant provides a demand analysis conducted by CliftonLarsonAllen which shows a need for at least 14 short stay beds within Cumberland County alone in addition to the current bed total of the service area. The study shows anticipated increases in the over 65 years of old population as well as a current unmet need of additional beds to its complement of 62 licensed beds. However, Uplands Village is not proposing any additional beds to its nursing home beds. The applicant states the Joint Annual Report of Nursing Homes data and the analysis provided by CliftonLarsonAllen shows a current continuing need for both Level 1 and Level 2 beds in Cumberland and White counties.

3. For renovation or expansions of an existing licensed health care institution:

- a. The applicant should demonstrate that there is an acceptable existing demand for the proposed project.

The applicant provides a demand analysis conducted by CliftonLarsonAllen which shows a need for at least 14 short stay beds within Cumberland County alone in addition to the current bed total of the service area. The study shows anticipated increases in the over 65 years of old population as well as a current unmet need of additional beds to its complement of 62 licensed beds. However, Uplands Village is not proposing any additional beds to its nursing home beds. The applicant states the Joint Annual Report of Nursing Homes data and the analysis provided by CliftonLarsonAllen shows a current continuing need for both Level 1 and Level 2 beds in Cumberland and White counties.

- b. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.

The applicant provides Summary and Recommendations from their architect, Uplands Design Group including a report from Maffett Loftis Engineering regarding the conditions of the proposed building including their recommendations attached to Supplemental 2.